Q. Yes.

A. I can't tell you about that. I don't know the operations.

Q. In the number of cars in the bottom half of the exhibit, how were they assigned to Florida traffic, in the way you just stated?

A. Well, to be frank with you, this is the first I saw this. Pardon me. Let me take a look at that a minute. Yes, sir, that is strictly taken off the billing as we reported it to the Florida Commission in our annual report.

Q. And then they could move to a port such as Pensacola and it would be shown in here as Florida intrastate traffic?

A. Well, we don't make any differentiation whether it is intrastate or interstate. It is Florida traffic.

[fol. 442] Q. Does that figure include any cars which were originated in Florida and moved out to other states?

A. Yes, sir.

Q. Does it include any that came in from other states and were destined to points on that line for local delivery?

A. Yes, sir, it all the traffic handled in the state, regardless of where it came from.

Q. Does it include traffic originating in Florida and destined to a point in Florida on your line?

A. Yes, sir.

Q. Do you have any of that movement which goes interstate or over a state line?

A. I can't tell you that. It is all traffic, but I can't tell you what kind of traffic it is.

By Mr. Pettijohn:

Q. It encompasses every car to and from and in the state of Florida, in the State of Florida by L & N Railroad?

A. Yes, sir, it is taken from this record made to the Florida Commission.

By Mr. Hillyer:

Q. To, from and in?

A. Yes, sir.

Q. The heading is quite misleading then.

Mr. Hillyer: That's all.

By Mr. Pettijohn:

Q. Mr. Davis, does L & N Railroad continue to make any apportionment of operating revenue by making per-
[fol. 443] centage allowance for revenue for branch line?

A. When?

Q. Formerly, at one time, you give branch line regardless of miles handled over the branch. By temporary mileage of 50 or 100 miles according to branch line?

A. It is not my understanding to do it strictly on mileage.

Q. The operating expenses you assign for Florida, you have a regular formula and method on L & N by which you apportion all overlapping expenses?

A. Yes, sir, we have a formula that we use for each state. The same formula.

Q. It only applies to overlapping expenses? You assign everything within the state directly to the state with the exception of equipment and repairs?

A. Yes, sir, anything we can assign directly to the state, we assign it.

Q. And the operating expenses which you have prepared here have not been prepared for the purpose of this case at all? They are regular operating expenses and expenses that appear in the report to the Florida Commission?

A. Yes, sir, I checked through the figures and they agree with the report of 1948 figures reported to the Florida Commission.

Q. I haven't checked this figure yet, is this the total operation or the freight portion only?

[fol. 444] A. I think it is the total. I think it is the total.

Q. Look at page 600 for the revenues and you can get it.

A. That is the total freight and passenger.

Mr. Pettijohn: All right. Thank you, that is all.

By Mr. Overton:

Q. Mr. Davis, on the operating revenue shown within the State of Florida, that is your total operating revenues, I believe you explained. Now, that figure contains a,—a very small portion of that figure represents the traffic that is involved in this proceeding, is that correct?

A. Well, I do not know about that. This is our total operating revenues. I don't know how much is involved in this proceeding.

Mr. Overton: Mr. Davis is the witness to be familiar with the figures shown in Mr. Seigler's exhibit No. 1?

Mr. Gwathmey: He is.

Mr. Pettijohn: Look on page 600. You can find the intrastate revenues. It is also shown on schedule 16 on Exhibit No. 1.

Mr. Gwathmey: If you want to ask anything about Mr. Seigler's exhibit——

By Mr. Overton:

Q. I just asked for the proportion of the revenue involved in this proceeding.

A. I don't know.

Q. Wouldn't it be that intrastate traffic for 1948 and for [fol. 445] 1945 shown in schedule No.,—on schedule No. 26 of Mr. Seigler's exhibit No. 1?

Mr. Gwathmey: The witness doesn't have that exhibit before him. Would you mind showing it to him and let him see?

By Mr. Overton:

Q. The amount involved as shown in Exhibit No. 28 for operating revenues within Florida for 1948 to the total of $3,284,682 is the traffic represented by revenues of $668,128, is that correct?

A. That $668,128 is the intrastate portion of 101 freight. This figure $3,284,682 is all revenues, freight and passenger, including passenger revenues, mail, express and any other revenues.

Q. And the balance of that figure is the difference between $668,128 represents the balance on which you have already received the total increases?

A. It represents interstate portion of 101 and represents the mail and express and I don't know about the passenger part, if we have received all we asked for the passenger.

Q. You have received on passenger and you have received an increase on mail?

A. The Express Company received an increase on mail that affects us to a certain extent.

Q. Do you handle mail?

A. We receive 25 percent on mail.

[fol. 446] Q. And express rates have been increased?

A. Yes, sir.

Q. And interstate freight rates have been increased?

A. Yes.

Mr. Overton: That's all.

By Mr. Wells:

Q. Do you know what part of the 4,324,000 on your exhibit 28 would be comparable to the figure of 668,128 you showed for intrastate freight revenue?

A. No, sir, we are unable to separate our expenses between interstate and intrastate.

Q. You have no idea, then, what your operating ratio would be intrastate freight in Florida?

A. No, sir, that is something impossible to obtain.

Mr. Gwathmey: Mr. Wells referred to Mr. Davis' Exhibit 28 in order to keep the record straight. It is Mr. McCormack's exhibit No. 28.

Comm. Patterson: That has been rejected.

Mr. Gwathmey: I am going to ask in view of the fact Mr. Davis has been produced and cross examined on the exhibit, it be received. Just one more question for Mr. Davis, first.

Redirect examination.

By Mr. Gwathmey:

Q. Is the basis shown on exhibi- No. 28 for assigning operating revenues and operating expenses to the State of Florida the same basis the L & N regularly uses in mak-

[fol. 447] ing such assignments to the various states in which it operates?

A. Yes, sir, we use the same for-ula to assignments to all states and that is the one that we get the totals that we report to the State Commerce Commission.

Q. And the figures so arrived at on the basis you have described are those you file regularly with the Florida Railroad and Public Utilities Commission?

A. Yes, sir.

Mr. Gwathmey: That's all.

Mr. Commissioner, in view of the fact that we have produced an accounting witness for L & N and he has been cross examined as to this Exhibit No. 28, I ask that the exhibit be received.

Comm. Patterson: It will be received on that basis.

(Exhibit No. 28, Witness Davis received for the record.)

Comm. Patterson: You are excused.

(Witness excused.)

Mr. Gwathmey: Mr. Commissioner, may I at this point raise this question: We have been granted that the opposition cross examine certain of these witnesses for the carriers at some later time. I should be glad to know whether they are to be cross examined during this hearing or are they asking for an adjourned hearing?

[fol. 448] Mr. Hillyer: I think the ruling was that we should have a reasonable time. Of course, we can't read those 79 pages of text and 263 pages of exhibit while the hearing is going on. We will do it as soon as we can.

Mr. Gwathmey: I am asking you to say now what you want the Commission to do?

Mr. Hillyer: I'd like to do it at some future time when we have concluded with the witnesses we have here.

Mr. Gwathmey: On behalf of the carriers, I am very much opposed to any adjourned hearing in this proceeding. The case has been running on for a long time. The attorneys for the various shippers have had ample notice of this hearing. It was postponed once at Mr. Hillyer's request. As to the objection based upon the statement that the exhibit goes beyond the scope of the hearing, I submit they don't mean anything at all. The testimony here is somewhat voluminous because we have felt it necessary to take up the individual commodities and deal individually with them because we are asking increases on those commodities.

Now, I submit that these gentlemen,—In the first place I distributed it to them on June 17 all of our statistical data with perhaps one or two exceptions. This traffic data is data that would ordinarily, in the course of this hearing, be read into the record if we followed the usual practice.

But in order to avoid doing that and save time, I have been [fol. 449] glad to comply with the suggestion that we simply file it without being read. I submit that the cross examination of these witnesses should be completed at this hearing and I am opposed to any adjourned hearing and if there is an adjourned hearing, I expect to ask that it be held in Washington.

Mr. Hillyer: It was not my purpose to lay the foundation for a request for an adjournment. We are willing to get to it as soon as we can and the other witnesses are out of the way, as soon as we have any time tonight to study it. To ascertain if the material would be subject for rebuttal and we will have to decide what is to be cross examined and what we can rebut by our own witnesses. We don't know that.

Mr. Gwathmey: Just let me say this: It is not our fault if Mr. Hillyer has misconceived the scope of this hearing. They had the order of Section 13 and should have known if they didn't know, what is involved in the case and I submit it is no basis for request for further hearing or an adjourned hearing, to have them say they have come here unprepared to deal with various features of it.

Mr. Hillyer: I didn't say we came unprepared. We are fully prepared to meet all commodities named in the complaint and do it thoroughly.

This was dumped on us overnight. We did what we could [fol. 450] to get ready. We are willing to do it at the first time possible. I haven't mentioned further hearing. You are the only one.

Comm. Patterson: Let's proceed with the hearing. I will rule on that motion.

Mr. Gwathmey: I would like to have some understanding before I call the next witness because I have one more witness and his testimony will relate entirely to that sugar cane situation. I'd like to know if we can, whether we will wind this up.

Mr. Ribe: There is one shipper here. We don't have all the railroad testimony and we don't know how much we will have to digest and we haven't had any indication from the bench how much time we will have. Until we have those facts, the shippers aren't in a position to known what to ask for.

I think Mr. Gwathmey's concern is a little premature.

Comm. Patterson: Go ahead and put in your case, Mr. Gwathmey, and we will rule on this later.

E. C. Hicks, Jr., was sworn and testified as follows:

Direct examination.

By Mr. Gwathmey:

Q. Please state your name, residence and railroad connection?

A. My name is E. C. Hicks, Jr., and I reside at Wilming-[fol. 451] ton, North Carolina, the headquarters of the Atlantic Coast Line Railroad with which company I hold the position of Assistant Freight Traffic Manager.

Q. Have you prepared in narrative form a statement which you desire to submit in this case and have you prepared a series of exhibits which you wish to introduce in connection with that statement?

A. I have.

Q. Does all of this data relate to the rates on sugar cane moving to Clewiston, Florida?

A. Yes, I was asked to deal with that feature of this case only.

Q. And those rates, as I understand, are also involved in the I & S case which is set to be heard immediately following this hearing? Is that right?

A. Correct.

Q. You are are now introducing for the purposes of this 13 Section case the testimony with respect to the sugar cane movement on the idea that if it is considered as intrastate traffic, we want the Interstate Commission to include it in the 13 Section case and let its order run against that traffic? Is that right?

A. Correct.

Mr. Gwathmey: Mr. Commissioner—Pardon me.

By Mr. Gwathmey:

Q. Are the matters and things contained in this narrative [fol. 452] statement and in the exhibits to which you re-

ferred true and correct to the best of your knowledge and belief, Mr. Hicks?

A. They are.

Mr. Gwathmey: May we have the narrative statement given a number? Mr. Hicks, if you will run through these exhibits and identify them, I guess we can mark them.

Exam. Mattingly: Off the record.

(Off the record.)

Comm. Patterson: On the record.

By Mr. Gwathmey:

Q. Mr. Hicks, do you wish to make a brief statement supplementary to the statement which has been marked as Exhibit No. 29? If so, please proceed.

A. At the foot of page 58 of my exhibit No. 29, the statement is made that the extent to which the sugar producing capacity of Florida cane has exceeded that of Louisiana cane over the 11 season period ending with the 1947-'48 season has averaged 18.31 percent. That was arrived at by totalling the 11 percentages shown in the last column of my exhibit No. 48 and dividing by 11.

By Exam. Mattingly:

Q. Did you say this is on sheet 58 of 29? I see it.

Comm. Patterson: He didn't follow it exactly.

A. I just wanted to connect it up with that part so there would be a connection. I think it would be well to state [fol. 453] that I also obtained the average number of pounds of raw sugar produced in the same eleven seasons in Florida and in Louisiana, namely, 190.6 pounds in Florida and 161 pounds in Louisiana. The excess 190.6 pounds over 161 pounds is 18.38 percent.

The exact data upon which the 161 pounds was arrived at are not shown on the exhibit No. 48, but if anyone desires me to read the figures into the record, I can do so. I want to point out one more thing: It may be asked why the railroads desire the intrastate rates on sugar cane to be increased by the same percentage amounts as permitted by the Interstate Commerce Commission on interstate traffic,

since all of the raw sugar produced from the cane at Clewiston is shipped to the interstate destinations and the inbound net transit rates on cane are therefore interstate in character.

The answer is that this is desired for two reasons: First, although it is true that all of the sugar moves to an interstate point, sugar is not the only product of the cane. Black strap molasses is another product of the cane and application of net transit rates on the inbound cane is likewise contingent upon the molasses being shipped from Clewiston via the Atlantic Coast Line.

Now, all of the blackstrap molasses is not shipped to interstate destinations but a substantial tonnage moves by [fol. 454] intrastate routes to Florida destinations. In fact, during the year 1948 this movement amounted to 60 tank cars containing 5,268,140 pounds of blackstrap. In the 1948-'49 season the mill at Clewiston produced an average of 81 pounds of blackstrap molasses per ton of cane ground. Therefore, it required 65,051 tons of cane to produce the blackstrap that moves to intrastate destinations via intrastate route.

Obviously, the intrastate rates, net transit rate to Clewiston in Atlantic Coast Line tariff No. 91-50-N on file with the Florida Commission should be increased to the same as the interstate net transit rates in Atlantic Coast Line No. B-32-20 which we expect to justify in I&S 5646.

By Mr. Gwathmey:

Q. Am I correct in understanding that rates on sugar cane of which blackstrap molasses is made, and molasses moving to destinations in the State of Florida are the rates that were prescribed and fixed by the Florida Railway Commission and as to which no increases corresponding with increases under Ex Parte 162 or 166?

A. Not exactly. The rates that were prescribed by the Florida Commission a number of years ago would be applicable and they have not been subjected to interstate increases except for the fact the Atlantic Coast Line and Florida East Coast voluntarily established some years ago lower net transit rates which are being applied.

[fol. 455] Now, those net transit rates likewise have not been subjected to the increases.

Q. Isn't it a fact that the Florida Railroad and Public Utilities commission refused to authorize the application of the interstate increases in connection with those rates?

A. That is correct in connection with either the voluntarily established net transit rates or the Florida Commission prescribed rates which would be applicable in the absence thereof.

The second reason necessitating application of the Ex Parte 162 and 166 increases to rates on sugar cane in Florida is that the local rates as distinguished from the net transit rates should also be thus increased so that in the event the product of any of the inbound cane should not be shipped by Atlantic Coast Line Railroad or via Atlantic Coast Line-Florida East Coast from Clewiston, thus rendering net transit rates inapplicable on that cane and making Florida local rates applicable, such local rates will have to be increased by the same percentage amounts as the interstate rates.

Q. Is that all you have to say?

A. Yes, sir.

Mr. Gwathmey: Mr. Commissioner, we ask that the exhibits that have been referred to and identified by the witness be received.

[fol. 456] Comm. Patterson: There being no objection, they will be received in the record.

(Respondent's Exhibits No. 29-52, inc., Witness Hicks, received in evidence.)

Mr. Hillyer: We have not read the text and we have just got the exhibits. They were not furnished us in advance. I wish you would reserve your ruling until we have time to examine the text and exhibits.

Comm. Patterson: It is subject to ruling later after you have.

Mr. Hillyer: Will Mr. Hicks be available later for cross examination?

Mr. Gwathmey: You mean in this hearing? If it is not too much later.

Comm. Patterson: We will have him available for cross examination before we close the case.

The witness is excused.

(Witness excused.)

Comm. Patterson: Any further witnesses, Mr. Gwathmey?

Mr. Gwathmey: I believe that concludes the case on direct examination in the Section 13 case No. 30140 for the railroads.

Comm, Patterson: The railroads have their case in so far as they can put in in now, as I understand it, so the shippers are ready to proceed, if they have any witnesses they can put on. We might as well put them on.

[fol. 457] Mr. Hillyer: We have one emergency witness here we'd like to call so he can get away. Mr. Petteway and Mr. Wells have agreed.

Mr. Petteway: The Florida Commission will be ready to put on its witnesses immediately following this one.

M. L. Fleishel was sworn and testified as follows:

Direct examination.

By Mr. Hillyer:

Q. Please state your name, address and occupation?

A. M. L. Fleishel, Jacksonville, Florida.

Q. What is your business, Mr. Fleishel?

A. I am president of four different lumber companies. Manufacturing lumber and distributing it.

Q. What types of lumber do you manufacture?

A. Pine, cypress and hard wood.

Q. Are you in the wholesale or the retail end of lumber business?

A. Well, manufacturing and wholesale, but not retail.

Q. Have you any plants in Florida?

A. Yes, we have two.

Q. Where are they located?

A. At Shamrock and Port St. Joe.

Q. What do they produce?

[fol. 458] A. What do they produce?

Q. Yes.

A. Pine, cypress and hard wood.

Q. Where is the Shamrock mill located with respect to the Gulf of Mexico?

A. Well, it is about half way. It is on the Tampa branch of the Atlantic Coast Line, about half way between Perry and Gainesville. 150 miles from Tampa, 120 to Jacksonville.

Q. And how far from the Gulf of Mexico?

A. Well, about 18 miles.

Q. Do you have——

A. That is, I'm talking about Shamrock.

Q. Do you have any timber in that region?

A. Yes, 300,000 acres.

Q. What railroad serves your plant at Shamrock?

A. Atlantic Coast Line.

Q. Where is your other plant?

A. Port St. Joe on the Apalachicola Northern.

Q. Is that located on tide water?

A. Yes.

Q. How far from the Gulf of Mexico?

A. Right on it, 30 feet of water.

Q. What is the name of the rail shipping station at your Shamrock mill?

A. Cross City.

[fol. 459] Q. Are you familiar with the position of the railroad in this proceeding which would result in an increase in lumber and forest products in Florida?

A. Yes, I think I am.

Q. Do you have any interest in that proceeding?

A. Well, yes. Not as much as we used to have because we practically quit shipping over the railroad.

Q. Are you a member of the Florida Lumber & Mill Work Association, Mr. Fleishel?

A. Yes, sir.

Q. Are you one of the witnesses selected to testify in this case?

A. I guess so. I have been testifying in it for about ten years now.

Q. How many years have you been engaged in the lumber business in Florida?

A. Thirty-six years.

Q. Were you at one time President of the National Lumber Association?

A. Yes, four years.

Q. That is a nation-wide organization?

A. Yes.

Q. Have you been a director in the Southern Pine Association?

A. Yes, for 30 years.

Q. Have you been a director in the Southern Cypress [fol. 460] Association?

A. 33 years.

Q. Have you taken any part in Transportation Association of America?

A. I have been a Director about 15 years.

Q. How did you happen to become Director?

A. At the request of the President of two railroads, friends of ours.

Q. Do you have any railroad tracks of your own at your Shamrock mills?

A. We don't now. We have removed them.

Q. Did you have some at the time of this lumber case?

A. About 75 miles we had at the time this thing first started.

Q. What was that trackage used for?

A. Hauling logs to the mill.

Q. How do you haul your logs today?

A. Truck.

Q. Has your branch line or railroad line been torn up?

A. At Shamrock, yes.

Q. Do you have any lines running down to the Gulf?

A. Not there now, not now. We have highways, graded highways.

Q. Does any of your inbound log traffic move by rail?

A. Yes, wait, you say by rail?

Q. Yes.

[fol. 461] A. Not any more.

Q. Did it formerly?

A. Oh, yes, quite a movement at one time.

Q. Do you have any movement of logs into your Port St. Joe mill by railroad?

A. Not now. Until three years ago. Three years ago we had a rather heavy movement. But no longer. They are hauling lumber over there by truck by 75 miles, by inland waterway and our own road.

Q. What type of trucks do they move in?

A. Well, they are pretty heavy trucks. We carry about 43,000 pounds a pay load.

Q. Who owns the trucks?

A. We do.

Q. Who designed them?

A. Well, we had a part in it, but I would say the Dorsey Trailer Company and the automobile company had a hand in it.

Q. What area do you draw logs from for your St. Joe mill?

A. Well, we have a fleet of barges and tugs on the inland waterway and Apalachicola River and we have about 30 miles of railroad and we haul over the Florida main line highway.

Q. You said, "We have a railroad." Do you mean there is a common carrier railroad?

[fol. 462] A. No, our own railroad and we have a steel draw bridge across the river there.

Q. What percentage of your inbound logs at St. Joe will move by truck by water and by rail?

A. I'd say 25 percent by rail and probably 30 or 40 percent each by water and truck.

Mr. Gwathmey: Pardon me. Did I understand,—was that question related to inbound movement of logs?

A. Yes.

By Mr. Gwathmey:

Q. I thought you said you had been hauling all logs inbound?

A. At Shamrock, Cross City. Not at St. Joe. We haul three ways there. We are not operating very large plant in Shamrock.

By Comm. Patterson:

Q. Is that railroad a private railroad and not a common carrier?

A. That's right.

By Mr. Hillyer:

Q. When——

A. At one time there was more by rail than by water. There is a rather heavy log movement from Union and Columbia over the main line of the Coast Line under the intrastate log rate. That was done away with some seven or eight years ago.

Q. When did these mills at Shamrock and St. Joe go into operation?

A. Shamrock went into operation in 1947 about, and St. [fol. 463] Joe in '39,—'38.

Q. Where were your mills located prior to that time?

A. We were operating in Jacksonville then, hauling logs over the main line of the Coast Line.

Q. Why did you move your mills from Jacksonville to West Florida?

A. Well, on account of the tremendous increase in freight rates. We tore down a two-million-dollar plant and moved it to the woods.

By Comm. Patterson:

Q. Disn't cutting out the timber of the vicinity of where you had the mill, didn't that have something to do with it?

A. Absolutely nothing.

Q. Nothing at all?

A. No, sir.

By Mr. Hillyer:

Q. Who caused your increase on rates on logs?

A. Who caused them?

Q. Yes.

A. We always blamed the Atlantic Coast Line for it.

Q. Did they secure an order of the Interstate Commerce Commission?

A. How is that?

Q. Did they secure an order of the ICC increasing those rates?

[fol. 464] A. Yes, they did.

Q. What was the result of that increase?

A. We took it all the way to the Supreme Court of the

United States. You will recall the Coast Line built two draw bridges across the creek and—Cross Creek and Cedar Creek and abandoned those and forced us to move to the woods and Brooksville. We had two in Florida and two in East Port.

Q. Do you know what happened generally to the log traffic by rail in Florida as a result of that decision?

A. Well, of course, that movement was stopped entirely. But they later established a rate about one-third of that rate and were hauling logs about four hundred miles for about one-third of that.

Q. About how much per car?

A. They have been hauling for 28 dollars a car, but I imagine this 20 percent increase,—they hauled 28 dollars and four hundred miles.

By Mr. Gwathmey:

Q. Trainload rates?

A. Yes, but they were trainload rates then.

By Mr. Hillyer:

Q. Now as to your outbound movements, do — ship any lumber from out of your Shamrock mill to Jacksonville?

A. Yes.

Q. At the present time?

A. Yes.

Q. How does that move?

[fol. 465] A. Truck.

Q. Do you move any by rail?

A. Very little.

Q. What type of truck is used?

A. We don't use the same type of truck there we do at Port St. Joe. We put about $100,000 into specially designed trucks there for large, heavy loads. We are hauling most of that lumber now by trucks on account of the freight rates.

Q. Have you made any study of the cost of truck operation to you in handling that lumber?

A. Yes, we keep a very close record of it.

Q. Did you write off depreciation for those trucks?

A. Yes; everything else applicable to ownership and operation.

Q. How do you come out on the total result financially?

A. We are saving three or four thousand dollars a month over rail rates on that portion we are moving by truck.

Q. Where else do you ship by truck from Shamrock? Do you ship any into Georgia?

A. Not from Shamrock, but we are moving lumber by truck from Shamrock to Port St. Joe of unfabricated, but we have a movement from Port St. Joe of large transport trucks about equivalent of three carloads a week from Shamrock to Port St. Joe. We have a two-way haul on traffic. We have a heavy movement from Port St. Joe to Kissimmee [fol. 466] and Fort Lauderdale and as far south as Fort Myers and they pick up lumber on their return trip also.

Q. Did you have any trucks that operated in two directions with petrolium in one direction and lumber in the other, formerly?

A. You may recall in 1932 the Coast Line had a rate of 33 cents per hundred pounds from Cross City to Jacksonville, so we designed trucks with an oblong tank and a deck on top and took lumber to Jacksonville by truck and brought gasoline back. We had a large distributing operation out there and operated 12 or 15 branch stations. So we moved lumber in one direction and petroleum in the other, but the Coast Line cut their rate from 33 to 24 cents and finally to 14, but they never got that traffic back and haven't ever gotten it back yet. All of that moves in there by transport truck.

Q. Did those combination trucks prove successful?

A. They paid for themselves in about two years.

Q. You mean you wrote off the investment?

A. Yes.

Q. How do you handle your lumber now?

A. By pretty much by truck. You mean out of Shamrock?

Q. Yes.

A. By truck, pretty much.

Q. That is not combination?

[fol. 467] A. No, that movement is no longer.

Q. What are the largest consuming markets for your lumber in Florida?

A. The Florida East Coast, of course, and lower West Coast and intermediate points. All of these medium sized Florida towns consume a lot of lumber now.

Q. Do you ship to any larger South Florida areas?

A. Yes, sir, Gainesville, Kissimmee and Fort Lauderdale and several other points down there every week.

Q. What is the fartherest distance south you ship? Mileage?

A. 3 hundred or 3 hundred and 50 miles.

Q. Are there any mills located nearer South Florida than you are?

A. Yes, quite a few of them. Smaller type mills. They don't make the finished products we do in many cases. There is one down at Immokalee, Florida, and Foley, quite a few.

Q. That a smaller type mill in the central and southern part of Florida. Do they use rails or trucks?

A. Of course, I am not informed to what extent, but my guess would be about 75 to 100 percent by truck.

Q. Where is Immokalee?

A. That is on the Coast Line down near Everglades.

Q. That is in the southern most part of the state?

A. Yes.

Q. Is there any movement of lumber from Immokalee into [fol. 468] Miami?

A. Yes, there's always been.

Q. That is a truck movement?

A. Yes, that is a natural truck movement. We had a plant there in Ochopee just right near Immokalee and had a distributing yeard in Miami and moved all that lumber by truck. There was no other way to get there. It would involve a two-line haul when rates were even somewhere near reasonable.

Q. You mentioned Lacoochee?

A. It is the junction of the Seaboard and Coast Line.

Q. Do you compete with that in selling in southern Florida?

A. Yes, they have a big advantage on truck movement because they have so much shorter haul.

Q. Would an increase in intrastate rates on lumber from Shamrock and Port St. Joe into South Florida, would that cause you to increase your shipments by rail or to move any by rail?

A. To increase them?

Q. Yes.

A. No, it would have the opposite effect. We have no heavy movement of the lumber to South Florida because we export a great deal. We are sitting right there on tide water of 30 feet of water and we are loading steamers with-
[fol. 469] out any rail movement.

Q. Do you ship any lumber for export?

A. Yes, a great deal.

Q. Through what ports?

A. Well, we ship to Mobile; we ship to Jacksonville and occasionally to Tampa, but the bulk of it, I'd say goes from our own docks there in Port St. Joe. We have a heavy movement of lumber from South Georgia into Port St. Joe and out by water. There is some rail, but not much.

Q. Do you have moving of lumber out of St. Joe mill that moves by rail?

A. Yes, northern and eastern points, we do, yes. Several cars a day.

Q. In the past, have you had any movement by intercoastal or coastwise steamers through Florida ports?

A. Well, we did have at one time. There is practically no intercoastal service any more. There is very little movement of that type any more.

Q. Have you had any coastwise movement over the newly established service through Jacksonville?

A. I wouldn't say that we have.

Q. Are you troubled to any extent with mills in South Georgia shipping into Florida?

A. Troubled with them?

Q. With the competition?

[fol. 470] A. Yes, I may say they are pests.

Q. Will you explain that?

A. How is that?

Q. Will you explain how they are pests?

A. They are smaller type mill. There are no large mills of our type in South Georgia. They are smaller type mills, cutting different type of timber and producing a low grade very largely and we can't compete with them very much.

Q. What form of transportation do those mills use?

A. Trucks, pretty much, so far as I know. There is more or less rail movement, too, I guess, down in the extreme lower East Coast.

Q. Do you feel any competition of South Carolina mills in shipping into Florida?

A. Not into Florida, no.

Q. Has there been any change in the use of lumber in Florida in recent years?

A. In the use of it?

Q. Yes, do you process it in any way?

A. We are processing them on account of these extremely high freight rates. We have wholesale distributing. We cannot longer send raw lumber. It has to be dressed before we can consider shipping it.

Q. Do other larger mills go into the matter of processing [fol. 471] and dressing?

A. The larger type mills do, yes. Of course, there aren't many of them left now.

Q. You mentioned—Can you give an idea of the length of haul of lumber by truck today?

A. What?

Q. The length of haul of truck today? What is the longest haul for a movement by truck to your knowledge?

A. I have here a circular that came out of our Southern Pine Association Office, dated June 21 and I quote part of it: "In railroad circles, it is recognized that some tonnage will leave the rails because of high transportation costs, but the rails say this is offset by the greater revenues they receive through increased rates on that traffic which must be shipped via rail.

"One of our subscribers recently advertised that he is now prepared to deliver lumber 'any where within 1,000 miles of his mills in his own trucks.' Are there others in our industry who are doing or contemplating anything like this? How much lumber has been shipped or is being shipped from your plant via truck? The answers to these and other questions must be found. Will you fill in the attached questionnaire? It will give us the information necessary to get the true picture of what is happening in our industry transportationwise."

[fol. 472] I think that is an exaggerated thing, hauling lumber a thousand miles by truck. It is a common thing to haul it three or four hundred miles by truck. There is nothing unusual about that.

Q. Is there any other angle of this subject you would like to cover more in detail than you have?

A. No, I don't know. I am not tremendously interested in the outcome of this thing because we have just about, except in extreme cases, we are just about out of transporting lumber by railroad.

Q. Did you have any particular aversion to the railroads that caused you to do that?

A. No, I have been a good friend of the railroads all the time. I think their day is doomed. I don't,—I don't think organization is going to let the railroad make another dollar. I think I know what they are up against and I am sympathetic. I think they are pricing themselves right out of business. This is going to cost the railroad just like that famous lumber cost them millions of dollars. If they increase any more they won't get any of it, broadly speaking.

Mr. Hillyer: You may examine.

Cross-examination.

By Mr. Gwathmey:

Q. Did I understand you to say you were connected with four lumber companies?

A. Yes.

[fol. 473] What are those?

A. Putnam Lumber Company, Shamrock, St. Joe and Fleishel. We also have a mill in North Carolina.

Q. In the course of your testimony, you have referred frequently to the word, "we". I assume you are speaking of those companies when you have said "We have done so and so."

A. That's right.

Q. Is that right?

A. Yes.

Q. If I correctly understand your testimony, you are speaking for the companies that you are connected with. The great bulk of your lumber goes outside of the State of Florida, anyhow?

A. A good deal does, yes.

Q. You spoke of movements to the north and east. I assume you mean the North Atlantic Coast cities?

A. That is a high type of pine and cypress. That is highly processed.

Q. A great, or the greater portion of your output goes outside of the State of Florida now, as I understand it?

A. That is right. True.

Q. And so far as the movement in Florida is concerned, most of those move by truck, anyhow?

A. That's right.

Mr. Gwathmey: That's all.

[fol. 474] Comm. Patterson: Any further cross examination? You are excused.

(Witness excused.)

FRED PETTIJOHN was sworn and testified as follows:

Direct examination.

By Mr. Petteway:

Q. Will you state your name?

A. Fred Pettijohn.

Mr. Petteway: Mr. Commissioner, may we go off the record to mark these exhibits?

Comm. Patterson: Off the record.

(Off the record.)

Mr. Petteway: We offer in evidence Exhibits 53 to and including 71.

Comm. Patterson: There being no objection, the exhibits will be received for the record.

(Exhibits Nos. 53 to 71, inc., Witness Pettijohn, received in evidence.)

By Mr. Petteway:

Q. Mr. Pettijohn, is there any comment you would like to make with reference to any of these exhibits which are not included in your prepared statement?

A. No, I don't believe there is.

Mr. Petteway: Mr. Commissioner, May we go back off the record long enough to fill in the blanks on the prepared statement?

[fol. 475] Comm. Patterson: Off the record.

(Off the record.)

Comm. Patterson: On the record.

By Mr. Petteway:

Q. Mr. Pettijohn, on page 24 of your Exhibit 53, did you not want to add something to it?

A. I believe I wanted to add something to it. Yes, at the top of the page, I want that question to read: Would the evidence filed by the carriers in Docket 1574 permit the Florida and Public Utilities Commission to perform its duties under conditions laid by the Florida Supreme Court except by a denial of the application?

Q. With this addition, would there be any change in your answer?

A. No, sir.

Q. You heard the discussion yesterday, the testimony of Mr. Rush with reference to switching. Do you have any comment to make on switching?

A. Yes, Mr. Rush said all interstate received traffic was by one switching movement, whereas, in intrastate it received two switching movements in Florida. That statement is absolutely incorrect. He is moving a commodity in the State of Florida that has a switching movement and originates with the State of Florida. There are other commodities moving to and from the ports in the same catagory.

Q. If that is true, what effect would that have on Mr. [fol. 476] Rush's statistics?

A. It would destroy the number of cars he classified interstate and intrastate.

Q. Are you familiar with the increased in revenues in motor truck operations in Florida from the time of about the filing of Ex Parte 162 to and including the latest reports to the Florida Commission?

A. Well, I have some tabulations with respect to motor truck tons and revenues.

Q. Will you give us those figures, please?

Mr. Wells: May I inquire if you are asking about certificated carriers only?

Mr. Petteway: Yes, those are certificated carriers who report to the Florida Commission.

Mr. Commissioner, while he is looking for those, I indicated yesterday that we would like to submit for the record copies of the Florida Commission's order No. 1466, 1466-A and 1466-B, which have to do with the rates that are under consideration. I am embarrassed to find that I came off without copies of those. I would like to request permission to send those in for the benefit of the record.

Comm. Patterson: How much time do you need?

Mr. Petteway: Ten days.

Comm. Patterson: It will be submitted for the record within ten days.

[fol. 477] Mr. Petteway: I will send them in within ten days, thank you.

That would also include the most recent order 1466-D which extends the Florida rates pending the outcome of this 13 Section proceeding.

Comm. Patterson: We will recess until two o'clock and give him time to find these papers.

(At 12:15 p.m., a recess was taken until 2:00 o'clock p.m. of the same day.)

[fol. 478] Afternoon Session

Fred Pettiway resumed the stand and testified further as follows:

Direct examination (Continued):

Mr. Petteway: Just before the noon recess I had asked the witness to produce some statistics concerning increasing revenues in motor truck operations. We find we are unable to locate those. I would like to withdraw that question.

Comm. Patterson: Off the record.

(Off the record.)

Comm. Patterson: All right, you may proceed.

By Mr. Petteway:

Q. Mr. Pettijohn, did you participate in Docket No. 1677 before the Florida Railroad Commission which had to do with the application of the Atlantic Coast Line to withdraw passenger trains 39 and 40?

A. And substitute 191 and 192?

Q. And reroute 191 and 192?

A. I did.

Q. I hand you what purports to be an order of the Florida Railroad Commission in that docket.

Mr. Petteway: We offer this Order No. 1550, Docket No. 1677 for identification.

Mr. Overton: Will you repeat that?

Mr. Petteway: Order No. 1550, Docket No. 1677.

Exam. Mattingly: That will be 72.

[fol. 479] (Exhibit No. 72, Witness Pettijohn marked for identification.)

By Mr. Petteway:

Q. Mr. Pettijohn, will you state what amount the Coast Line, estimated that they would save by withdrawing trains 30 and 40 and rerouting passenger trains 191 and 192?

A. The order says approximately 370,000 dollars. My recollection was it was 465,000 dollar saving annually.

Q. Now, there was some testimony yesterday about the cost, the unit cost of fuel oil and Diesel oil. Can you give us the unit cost of fuel oil and Diesel oil for April, 1948?

A. According to the Interstate Commerce Commission decision the increased freight rates, 1947270, Ico 403,430, the cost per barrel of fuel oil, April, 1948, was $2.41. The cost per gallon of Diesel fuel was $10.15.

Comm. Patterson: Cost per what?

A. Gallon. Diesel fuel 10.15 cents.

By Mr. Petteway:

Q. Now, a few minutes ago you said that phosphate was one of the heaviest loading commodities moving in Florida. Do you have any figures on phosphate loadings?

A. I do.

Q. Will you please give us those?

A. According to the Atlantic Coast Line's annual report for the calendar year ending December 31, 1948, filed with the Florida Railroad Commission, they originated [fol. 480] 130,213 cars of phosphate rock in Florida, having a tonnage of 7,251,642 tons, or a little over 65 tons per car. Now, I have prepared a statement from the reports of the Florida East Coast Railroad, Seaboard Air Line Railway and the Atlantic Coast Line Railroad and in the year 1946 the phosphate rock tonnage originated on those three Florida railroads represented 37.35 percent of all tonnage originated by those roads in the State of Florida.

In 1947 the percentage rose to 45.51 and in 1948 the tonnage rose to 49 point 15 percent. Tons terminated in 1946 was 26.38 percent. In 1947, 33.39 percent. And in 1948, 39.27 percent.

Q. Is there anything else that you care to cover in your testimoney?

A. Yes, sir. There was an intimation on the record that the Florida Railroad Commission had never submitted to the carriers a formula for separating operating expenses to states. In 1926 the Florida Railroad Commission, together with the other Southern Commissioners, held a hearing in Atlanta, Georgia, at which time the Florida Railroad Commission submitted to the other Southern Commissioners and to the railroads a detailed formula for separating revenues and operating expenses to the states.

The southern Commissioners would not accept the separation and one of the principal reasons was that two of the [fol. 481] Southern States had a state law requiring that interstate revenue be prorated to their state on a mileage prorate which gave them a prorate on the Florida arbitrary. The operating expenses were provided for by primary accounts and they didn't have much opposition from the railroads except with two or three accounts which were engine house expenses and repairs and items of that kind.

And Mr. McKeg who was at that time Comptroller of the Atlantic Coast Line informed me personally that if we would make certain revisions to the formula, he would recommend that the Atlantic Coast Line Railroad adopt them.

The Commission—The Florida Commission didn't pursue the separation further.

Q. Is that all, Mr. Pettijohn?

A. I believe that is all.

Mr. Petteway: That is all, Mr. Commissioner.

Comm. Patterson: Cross-examination.

Mr. Hillyer: May I ask a few on direct, please?

Comm. Patterson: Proceed.

By Mr. Hillyer:

Q. Mr. Pettijohn, on your exhibit No. 63, I want to be sure whether I understand these figures or not.

A. Yes, sir.

Q. In line 1, column 3, you show the operating ratio for the Southern Region for freight service 64.68.

[fol. 482] A. That is correct.

Q. Does that mean that the freight service expenses were only 64.68 percent of the revenues?

A. Of the freight revenues, that is right.

Q. Of the freight?

A. Yes, you obtain that ratio by dividing expenses under Column 2 by the revenues under column one.

Comm. Patterson: Shouldn't that be column 4?

A. It should be, but there is two 3's, I notice, and the second three should be Column 4, yes, sir.

Mr. Hillyer: Miss Reporter, could you correct my column 3 and make it column 4 and correct the exhibit also?

Q. Now in line 3, do I understand correctly for the year 1944, the freight operating ratio of the three Florida lines was actually less than that of the Southern Region lines?

A. That is right.

Q. When I say less, that is better freight than for the Southern Region?

A. It means lower.

Q. Lower and better?

A. Well, to me an operating ratio doesn't mean a great deal if you don't take into consideration the value of the property used and the volume of business. Operating ratio by itself is rather a meaningless ratio.

Q. I will use the term better or worse so as not to be [fol. 483] confusing between less and more. Now, in line No. 11, in 1947, is that the right operating ratio for freight for Florida lines? It was a slight fraction of a percent better than for the system?

A. That is correct.

Q. And in 1948, that the freight operating ratio for Florida lines again was a little better than for the system?

A. About one and a half percent lower. That is correct.

Q. Now, on your exhibit 64——

By Exam. Mattingly:

Q. Just as an explanation, what does that "NA" mean in line 13? Not applicable?

A. Not available. With respect to that one.

Mr. Petteway: That is shown in exhibit 64, but it was left off of Exhibit 63, Mr. Examiner.

Exam. Mattingly: I see.

By Mr. Hillyer:

Q. On Exhibit 64, do I understand correctly a net railway operating income from freight for the Florida lines was roughly 14 million dollars in 1948?

A. That is correct.

Q. Whereas the total was only 20 million?

A. That is also correct.

Q. And that passenger traffic was a deficit of about 21 million dollars?

A. That is correct.

Q. Does that mean that the freight made up for all the [fol. 484] passenger deficit and 20 million besides?

A. That is the result of it.

Q. Now on exhibit 67, under rate of return for freight service for the Florida East Coast for 1948, does that figure 12.35 percent mean the rate of return which the Freight

net operating revenue yielded based upon the total investment of the carrier?

A. No, sir, upon the investment which I prorated to the freight service.

Q. I see.

A. On the total investment of the carrier, you'd divide 4,685,134 net operating income by the rate base 75,595,884 which would produce a little over 6 percent.

Q. Did you hear the testimony of the operating witnesses of the railroads?

A. I did.

Q. Did you hear the Coast Line's witness, I believe, explaining the method of determining the expenses for Florida traffic as distinguished from system traffic?

Mr. Gwathmey: Operating, did you say? Read the question.

By Mr. Hillyer:

Q. No, it wasn't the operating witness. Mr. Seigler. Did you hear the testimony of Mr. Seigler? Didn't he testify that they got the expenses on a revenue basis?

[fol. 485] A. You are referring to the apportionment of the expenses to the State of Florida?

Q. Yes.

A. Yes, sir.

Q. Does that method, in your opinion, bear any direct relation to the actual cost of service?

A. It most cerfainly does not.

Q. In your opinion, does it bear any fair index of the actual expenses?

A. No, sir, it does not and in that connection I might say that neither the Smyth vs. Aimes or the Minnesota rate case—The United States Supreme Court in commenting upon use of revenue for basis of assignment of expenses made the statement that any discrimination or disparity in the rates themselves was further perpetuated when you used the revenues derived from those rates as a basis for apportioning expenses.

Q. I think that it was the operating witnesses who testified as to the differences between the wages per crew for local trains and the wages per crew for through trains. Did you hear that testimony?

A. Yes, I recall the witness for the Seaboard Air Line making that statement, yes, sir.

Q. And you recall his reference particularly to the Jacksonville-Tallahassee Division of the Seaboard?

A. I do.

[fol. 486] Q. Are there any stations intermediate between Jacksonville and Lake City, not including those cities, with no local switch engines maintained there?

A. You say between Jacksonville and Tallahassee?

Q. Not including——

A. Baldwin. They have local switch engines at Baldwin.

Q. Do they have them at Live Oak?

A. They do not.

Q. Is that an interchange point with other railroads?

A. It is.

Q. When a through train comes with a car for interchange, who does the switching? Does the through train do any of the switching?

A. It may at times, but generally, the operation of the railroad is that the local train does it, does the switching and picking up and setting out of cars unless they are perishable cars at intermediate points between the terminals and if they don't do that, they are not railroading in my mind.

Q. If destined locally for local delivery at Live Oak, who would set that car out and perform it?

A. Unless it is perishable, it would be set out by the local. In other words, the local is nothing more than an intermediate switch crew that operates between the terminals generally.

Q. Does that save expense of having switching crews [fol. 487] at those points?

A. It does. I might give a typical example. 24 or 25 miles east of Tallahassee is Griffin. It is a little town and it is three or four miles from Griffin to Monticello. The Seaboard Air Line used to operate one train between those two points, but they now operate so that any train that comes through there and sets out a car is handled to and from Monticello by the local freight crew. The through freight crew never takes a car up there.

Q. Now, if a car was going interstate on a through train

from one of those stations, say Live Oak, who would place the empties?

A. The local freight train. They don't stop through freight trains to distribute empties.

Q. Are these items which I have mentioned reasons why the switching crew gets more than the line haul crew?

A. Yes, they do more work. The line haul crew under present day operations on most railroads has just got a free ride. The brakeman, all they do is head in and head out of a siding. They don't unload or load any freight or switch any cars to or from the car.

Q. While we have used this particular stretch of track to make this clear, what you say generally in the United States, at all small stations where they do not have local switch engines that the local trains use usually provide these types of switching?

[fol. 488] A. Yes, sir, in fact, if you get in the Northwest where they railroad a through train, you better not stop them at the station over about a minute and they better leave and arrive at the station within five minutes or the superintendent has the engine crew to his office to find out what delayed them. You might delay a passenger train, but you better — delay a freight train.

Q. You speak from actual experience?

A. I do.

By Comm. Patterson:

Q. Am I to understand that through car that brings to interchange doesn't place it on interchange?

A. As a general proposition, they don't bring it.

Q. But if they do?

A. If they stop with perishable car, they set the perishable out and switch it. I assume they do handle it sometimes.

Q. If they do, do they place it on the interchange track or not?

A. Yes, they would place it out on the interchange track, if it was set out by a through train.

By Mr. Hillyer:

Q. Do you know of any instance where in your experience with the Florida Commission there has been a request for differentiation from local to through train service?

[fol. 489] A. Not to my knowledge and I don't think the commission would even consider it.

Q. Have you heard all the carriers' evidence in this case?

A. Yes.

Q. So far?

A. Yes, I have.

Q. In your opinion is there any reliable cost data whatsoever presented by the Atlantic Coast Line? For example with respect to differences between Florida operations and system operations?

A. There is not.

Mr. Gwathmey: If the Commissioner please, I submit that the record speaks for itself and doesn't require an interpretation by the witness.

Mr. Hillyer: That concludes all I have.

Comm. Patterson: Any further direct examination? Cross-examination?

Cross-examination.

By Mr. Gwathmey:

Q. Mr. Pettijohn, what basis do you advocate for assigning operating expenses to the several states?

A. Well, you'd have to go up to an individual primary account expense basis because there is no common factor that you can use. Certain of your expenses, like your rails and your ties and so forth, can be allocated directly where [fol. 490] the rails are laid and where the ties are placed. Other expenses will be overlapping expenses, say for your Savannah,—If a man has jurisdiction, say, Savannah into Jacksonville some of those expenses might go on track mile basis some on car mile basis, some train mile basis.

Q. I am not asking what might be done, if you will pardon me. Have you any definite basis to suggest that the carriers might use for a substitute for the one they are using?

A. Yes, sir. The basis,—The Coast Line should have a copy in their file. But if they haven't, I will be glad to send them one when I get back to Tallahassee.

Q. Is that the one you spoke of that you thought Mr. McCaig thought was all right?

A. That is correct.

Q. Has the Florida Railroad Commission taken any exception to the annual reports which the railroads are regularly filing with it as to the basis of apportionment of operating expenses to the state?

A. No, the Commission itself has never taken any direct action with respect to that, but we expect to.

Q. Your testimony, as I understand it, is devoted to a considerable extent to supporting the proposition that from a rate standpoint Florida should be treated different from other portions of the South; is that right?

A. Well, I wouldn't explain it exactly like that, Mr. [fol. 491] Gwathmey. I would say that the majority of my exhibits were put in to show that the transportation and actual conditions in Florida were not similar to those of the South as a whole and the rate increase that was demanded on the Southern District is the rate increase which the carriers are now attempting to secure through the Interstate Commerce Commission as being applicable to Florida.

Q. Is it not your position that Florida should be differentiated from the rest of the South for rate-making purposes?

A. Yes, sir, and if you will allow me to say so, the position of the Southern carriers has been in all Division cases.

Q. Did the Interstate Commerce Commission differentiate Florida from the rest of the South in Ex Parte 162?

A. No, sir, it did not.

Q. Did it in Ex Parte 166?

A. No, sir, it did not.

Q. Is the Florida Railroad Commission a member of the National Association of State Commissioners?

A. It is.

Q. Did not a committee appointed by that association sit with the Interstate Commerce Commission throughout the hearings in both Ex Parte 162 and 166?

A. They did.

Q. Did you, as the representative of the Florida Commis-
[fol. 492] sion attend quite a number of hearings in Ex Parte 162 and 166?

A. I don't remember about 162. I think I attended three or four hearings of 166.

Q. Did you or the Florida Commission at any time during those hearings advocate before the Interstate Commerce Commission any different treatment of the interstate rates to and from Florida peninsula as contrasted with the rates in the rest of the South?

A. No, sir, we did not. We didn't advocate anything with respect to interstate rates, as I recall, and 166, I know I didn't. The only thing I contended for in 166 was that there should be no increase in protective service.

Q. But at no time during 162 or 166 did the Florida Railroad Commission urge or introduce evidence before the Interstate Commerce Commission supporting the proposition that Florida should be treated differently from the rest of the South?

A. That is correct. But you will recall at one time in Atlanta we did introduce evidence and you, on behalf of the southern railroads got up and objected to any state evidence being introduced in Ex Parte proceedings and the Interstate Commerce Commission did not mention the evidence being put in or make any mention of it because they fixed their increases by districts and we had no reason to
[fol. 493] even assume they'd do different in this proceeding.

Q. What hearing in Atlanta are you talking about?

A. I think it was 103.

Q. Ex Parte 103?

A. Or else 96.

Q. Your counsel, Mr. Petteway, moved at the commencement of the hearing that carriers' exhibits be excluded for reason they have failed to make an assignment of property values, revenues and expenses to Florida intrastate traffic. Did you hear that?

A. I did.

Q. When the carriers originally petitioned the Florida Commission for Ex Parte 162 increases, the Florida Commission at first denied all increases, did they not?

A. I don't recall, but I think that statement is correct.

Q. And did they not deny all increases for the stated reason that the carriers had not made an assignment of property values, revenues and expenses of Florida intrastate traffic and distinguished from interstate?

A. In 166 the- did definitely. I know that.

Q. 162?

A. I don't recall.

Q. Didn't they first deny increases at all?

A. As I say, I don't recall what they did in 162 because I don't recall ever sitting in 162. I say 166——

[fol. 494] Q. I am talking about the hearing before the Florida Railroad Commission at which you were present?

A. 162?

Q. Yes.

A. I don't recall a thing about what the Commission held. But I will say if they took my recommendation, they denied it because my recommendation was they deny it if they didn't furnish for the Commission information necessary, in my opinion, and the laws of Florida.

Q. They acted in accordance with your recommendation, did they not?

A. If they called on me for a recommendation, they did.

Q. Did the carriers thereafter file a petition with the Florida Commission for reconsideration? Do you recall that?

Mr. Petteway: Are you talking about 162 now? Or 166?

Mr. Gwathmey: I asked specifically about 162 increases.

Mr. Petteway: You are entirely wrong. Your reference is right with reference to 166.

Mr. Gwathmey: Very well. I will let it go at that. It may be my memory is not as good as yours.

The Witness: You are referring to 166. That is 162.

Mr. Gwathmey: I see.

The Witness: You asked for a rehearing.

By Mr. Gwathmey:

Q. We asked for rehearing and it was granted was it [fol. 495] not, by the Florida Commission?

A. Yes, I believe we granted you and had one rehearing.

Q. Yes, sir, do you also recall that in the events of that

rehearing a conference was held in St. Petersburg between the railroads and members of the Florida Commission?

A. You are talking about 1573 or 1574?

Q. I don't know which, according to your number. Ex Parte 166 increases, if you wish.

A. Yes, sir.

Q. Were you present?

A. I was.

Q. Was I present?

A. You were.

Q. Did not the railroad at that conference explain fully to the Commission,—I see a member of the Commission sitting opposite me here,—the reason why they could not make such a separation?

A. They explained that they couldn't, but I have never concurred, because it is done in Minnesota and North Carolina *Lignite and Norfolk* vs. *Conally et al.* went to the Supreme Court and the Supreme Court rendered a decision.

Q. Did the railroad at that conference invite the railroad or you yourself to suggest a satisfactory formula or method by which they could make a formula?

A. They did. And it was their baby, not mine. They were [fol. 496] making the application.

Q. Did you suggest any?

A. No, sir, I told them, "It is your baby and if you can't do anything else, why don't you take the Dr. Edwards formula and apply it?"

Q. Did the Florida Commission in that proceeding, notwithstanding the fact that the railroads had not made such an assignment, grant the increases in part?

A. They did.

Q. They only denied the increases as to certain excepted commodities in the last five per cent?

A. That's right.

Q. I want to ask you just one or two questions about these exhibits, Mr. Pettijohn. First, at the bottom of page 3 of your prepared statement, Exhibit No. 54——

A. No. 53.

Q. No. 53. You say, referring to the decision in the old Southern Class rate, Case 100, ICC 531, "The Interstate Commerce Commission stated that less traffic density per mile of road and less tonnage per train mile obtaining in

Peninsular Florida than in Southern territory warranted a higher rate on traffic from and to the State of Florida." Did you agree with that statement of the Interstate Commerce Commission as of the time when it was made?

A. I will agree with the statement that we had less traffic [fol. 497] density and less trainloading per mile, but I will not agree with their conclusions that that necessarily warranted a higher rate to and from Florida because, if you will recall in 25071, we took the carriers' exhibits which they filed in the refrigeration case 17936 and proved without a question of doubt that on the basis of the true movement from a representative point in Florida to Richmond, Virginia, the traffic to and from Florida was loaded in heavier trains and had a greater density for the through movement than any traffic they had.

Q. If traffic density in the State of Florida per mile of road, is less than in other portions of the Southern territory and there is less tonnage per train mile in Florida at the present time, do you agree that such conditions warrant a higher rate on traffic from and to the State of Florida?

A. If you are basing that on train miles and tonnage only, that is true, but, here they are not in my estimation the factors which should be considered in determining whether or not the rates should be higher or lower.

Q. I merely quoted your own language as appearing on page 3 of your statement.

A. And I am quoting, if you please, what the Interstate Commerce Commission held in Docket 13494. The only reasons that they advanced with that were that there was lighter train density per mile of road in Florida. It considered the point of origin and point of destination. It was an easy way, as you well know, to get rid of old basic [fol. 498] Jacksonville base point rates.

Q. Are you through?

A. Yes, sir.

Q. Will you look now at your exhibit No. 63?

A. Yes, sir.

Q. Now, you have there made a separation as between freight and passenger service. Am I correct in understanding that the separation of revenues and expenses was

made in accordance with the Interstate Commerce Commission's formula?

A. The separation between freight and passenger, I have every reason to believe was made according to the Interstate Commerce Commission formula.

Q. You have had a good deal to say about the freight service burden on account of passenger service. Suppose the railroads were to eliminate passenger service altogether, would their expenses be reduced about the amounts shown in column seven in that exhibit?

A. Well, theoretically they would not but that is running around the barn to get there. You know and I know, anybody who knows anything about it knows they wouldn't have these high class tracks for freight service and expensive passenger terminals and operate a great deal more economically if they didn't have passenger service at all.

Q. Even if the passenger service were wholly discontinued, would not a good portion of that expense assigned to passenger service still remain and still be borne by [fol. 499] freight?

A. No, the only one borne by freight would be track facilities practically. They could get rid of passenger terminals and could get rid of a lot of other stuff in connection with passenger service and get rid of outside passenger solicitors.

Q. But aren't there a good many things for use by both passenger and freight?

A. Yes.

Q. And wouldn't they have to bear that?

A. That is confined mainly to track structure and signals.

Q. 50 per cent of expenses shown in column 7 wouldn't remain?

A. No. You couldn't tell if it would be 40 or 60 or what.

Q. Do you have any idea what it would be?

A. No, but if you take an operation of strictly freight line like the ore lines up in north Minnesota and Wisconsin and compare them on here, you wouldn't find any such showing as that.

Q. Look at 66 there again. You have taken the Florida East Coast Railway, as I understand, for the year 1947?

A. That's right.

Q. And made a separation between freight and passenger operation?

A. That is right. I made a separation of the items entering into the rates, between freight and passenger. The net [fol. 500] railway operating income was reported by the company itself.

Q. There again if you discontinued the passenger service entirely, you'd still have assigned to freight service a good many of the expenses?

A. Yes, if you took all the passenger investment and simply took your freight revenues, your net railway operating income, you would have almost five per cent. About four and a half per cent.

Q. In the fourth line on the exhibit, you have shown working capital. Do you see that?

A. That's right.

Q. And for the Florida East Coast Railway you show a working capital of $2,275,016, which as I understand, you have obtained by using a ratio appearing in some case before the Commission, is that correct?

A. That is correct.

Q. Why did you not take the figures as shown in the accounts of the Florida East Coast Railway? Aren't they readily available?

A. Yes, but they don't mean anything when you come to amount of working capital the company is entitled to. And the Interstate Commerce Commission in all its valuation proceedings has discarded, ignored, the amount of cash and material and supply balances as of any date.

Q. Well, however that may be, the fact remains, as I understand you now, that you have not used the figures [fol. 501] available from the books of the company, but have used instead this formula?

A. That is correct and I might add that I never know of the Interstate Commerce Commission using the balances and in 162 and 168, it ignored the balances and computed the amount of working capital.

Q. One more question: Can you tell me whether the rates of the motor carriers in Florida have been increased recently, common carrier motor carrier?

A. To my knowledge they have not because the last motor carrier case in which I sat we denied them an increase.

Mr. Gwathmey: That's all.

Comm. Patterson: Any further cross examination of this witness?

Mr. Hillyer: I have some more questions.

Comm. Patterson: All right.

Redirect examination.

By Mr. Hillyer:

Q. Mr. Pettijohn, which causes the relatively greater maintenance, high speed trains or ordinary speed trains?

A. High speed trains. You never in your life heard of a railroad putting out a slow order on account of the weight of the train. It is always on account of speed of the train.

By Comm. Patterson:

Q. Isn't that largely due to the thrust on the track?

[fol. 502] A. That is more or less compensated for and I know we never figured that we had to put up a slow order on the weight of a train. We always had to put it on speed of a train. And carriers now are undertaking their big program of building with heavier rail, heavier roadbeds, more ties, primarily to get more speed in the passenger trains.

By Mr. Hillyer:

Q. Isn't it a fact there are many through trains from the North into Florida resorts which haul a relatively heavy passenger traffic?

A. Yes, during, on the East Coast during the season, they do and they also stop at practically every town they go through, so that speed on the East Coast or speed in Florida for through trains is an idle dream.

Q. In following Mr. Gwathmey's line of thought, you did not even suggest, did you, or would not suggest, that those fine through trains be eliminated?

A. My personal opinion is that any passenger train that doesn't pay its own way has not got any business being on the schedules.

Exam. Mattingly: Would you permit the elimination of passenger trains entirely if the carriers wanted to?

A. If it is not self-supporting, yes, sir. In the State of Florida, if you will go through the exhibits there, the passenger revenue now is less than it was back in 1928 and [fol. 503] their schedule is so designed that the intrastate passenger simply can't use it. He takes the bus or drives his own car, or if he is in a hurry, he flies.

Comm. Patterson: You are advocating the elimination of passenger service entirely?

A. If it doesn't pay, yes, sir.

By Mr. Gwathmey:

Q. How do you think you could get along with some of the big fruit shippers? Don't they demand service?

A. I have heard a lot of demands, but the only demands I have ever heard are demands for lower rates.

By M. Hillyer:

Q. Freight?

A. Passenger, too, not only railroad, but truck and buses.

Q. The shippers advocated increases in passenger fares so as not to further burden freight shippers?

A. They did in the last case before the Commission, the rate Conference did, but I didn't see any users of passenger trains advocating any increases.

By Mr. Petteway:

Q. Do you know of any applications for increases in passenger fares that have been turned down by the Florida Commission other than one that was turned down because there was no separation, at the same time 166 was turned down in recent years?

A. No, the last one I recall was our Docket No. 1575, if I recall correctly, and we turned that down because they [fol. 504] did not show a separation, and on a reconsideration, the balance of the South had given them the increase and Florida did.

Q. Granted it?

A. That's right.

Q. With reference to freight increases for express services, do you know of any application for increase for those rates that was denied by the Florida Commission?

A. I do not.

Q. There has been quite a few of those applications, have there not?

A. Yes, I think there have been three of them or four in the last couple of years.

Q. Do you know of any application for increase in Pullman fares that have been turned down by the Commission?

A. No, we granted, much to our surprise, the increases in Pullman fares.

Mr. Petteway: I believe that is all.

By Mr. Wells:

Q. With reference to Exhibit No. 63, I notice that in 1944 the consolidated figure for the three Railroads in Florida on revenues was 62 million, which reduced to 56 million at the same time expenses in column two increased from 39 million to 50 million. Then there was a reverse trend comparitively between those two in succeeding years. Do you know of any occasion for that, other than operation? [fol. 505] A. Yes, in 1945 at the close of the war, the railroads were allowed to amortize their war projects and my recollection was that the Coast Line had 23 million dollars of amortization in that one year. Subsequent to that time the expenses have remained high because of the fact that the carrier has been having a lot of depreciation that they have carried forth from the war and did not set up a reserve to take care of during the war.

Q. You mean deferred maintenance?

A: That is right.

Q. Did the three Florida roads embraced in 63 have any reserve for maintenance as provided by the rules?

A. As I recall, Seaboard had something like ten million dollars and when the reorganization took place it was wiped out through entry to acquisition adjustment, but none of the carriers in the South, to speak of, appeared to make any attempt to set up through the maintenance reserve for the deferred maintenance that was taking place during the war.

Mr. Wells: That is all.

Mr. Petteway: That is all.

Comm. Patterson: You are excused, Mr. Pettijohn.

(Witness excused.)

Mr. Petteway: Mr. Commissioner, that is the Commission's case with the exception of the submitting those orders for the record.

[fol. 506] I would like to offer exhibit No. 72 for evidence.

Comm. Patterson: There being no objections, it will be received for the record.

(Protestant's Exhibit No. 72, Witness Pettijohn, received in evidence.)

Comm. Patterson: I don't believe the others are in evidence.

Mr. Petteway: We offer Exhibits 53 to 71, inclusive, in evidence.

Comm. Patterson: There being no objections, they are received for the record.

(Protestant's Exhibit Nos. 53 to 71, inc., Witness Pettijohn, received in evidence.)

Mr. Harrison: Mr. Commissioner, I have two witnesses on agricultural lime stone who are anxious to get away. I'd appreciate it if I could put them on now and if it is agreeable now, I could finish my case in about 30 minutes more and I will be through.

Comm. Patterson: It being agreeable to all parties, you may produce your witness.

C. C. DeLoney was sworn and testified as follows:

Direct examination.

By Mr. Harrison:

Q. State your name and address for the record.

A. C. C. DeLoney.

[fol. 507] Q. Whom do you represent?

A. I am Sales Manager for Cummer Lime and Manufacturing Company of Ocala, Florida.

Q. You are familiar with the sale of ground agricultural limestone in the State of Florida?

A. I am.

Q. How long have you been in that work.

A. In detail, that is in charge of sale for two years, but in connection with production and general sales, for 15 years.

Q. What is the purpose of ground limestone?

A. It is used as a secondary plant food and as for relieving acidity of the soil.

Q. Do you do the fertilizer mixing to some extent yourself?

A. Yes.

Q. What is the general proportion applied to the soil, directly to the soil per acre?

A. In our company, our proportion would run better than 95 percent going directly to the soil.

Q. How much per acre tonnage?

A. From one to three tons per acre.

Q. Where is the plant located?

A. At Kendrick, Florida, five miles north of Ocala, in Marion County.

[fol. 508] Q. Have you any statements you'd like to make with respect to these increases?

A. I have a statement I would like to read in the record. My name is C. C. DeLoney, of Ocala, Florida. I am Sales Manager for Cummer Lime and Manufacturing Company and I am appearing for and in behalf of this company.

We very strongly urge that the decision of the Florida Railroad and Public Utilities Commission, exempting Agricultural Ground Limestone from the last increase on intrastate traffic, be upheld.

Cummer Lime and Manufacturing Company ships Hi-Calcium Lime to many Florida points, all of which is used exclusively for agricultural purposes. Our hi-calcium limestone contains better than 90 percent pure calcium carbonate.

We do not claim that our ground hi-calcium limestone is a complete fertilizer; however, the fact is recognized by everyone that this limestone is very essential in supplying calcium, a secondary plant food. In addition, it is most necessary in correcting soil acidity. Further, we furnish ground hi-calcium limestone to fertilizer plants to be used in making their fertilizers.

Our company has been producing and shipping this ground hi-calcium limestone for the past several years.

During the war years and for a while thereafter, our production of this material was steadily increased, all of which is used exclusively for agricultural purposes.

[fol. 509] At the present time some of our customers, from the following points are hauling limestone via their trucks: Palatka, St. Augustine, DeLand, Sanford, Daytona Beach, Webster, Starke, Gainesville, Macclenny, Lake Butler and other points nearer our plant at Kendrick, Florida.

Q. Right there, what is the maximum distance that the material is hauled?

A. St. Augustine would be the farthe*r*est which is approximately 90 miles, road mileage, from our plant.

Q. All right.

A. This, of course, is taking revenue from the railroads under their present rates on limestone for agricultural purposes.

In addition, we are losing business for ground hi-calcium limestone to small local plants who have no railroad facilities and who haul their production exclusively via trucks. This applies on a large tonnage that would move almost 100 percent via rail if we were able to secure the business. This business is lost to us, and the revenue therefrom is lost to the railroads, under the present existing rate. If the exemption on Agricultural ground limestone is withdrawn, it will mean the loss of much additional tonnage of hi-calcium limestone to our company to these local plant shipments and loss of freight revenue in shipment of same to the railroads. This is true of all sections of the state where [fol. 510] many local deposits of limestone are to be found.

Again, with the returns to our cattlemen, farmers and growers from their sales being on a steady decline, any increase in the cost of ground hi-calcium limestone to them will bring about either a reduction in the tonnage to be used or their finding a source of supply from small local deposits which will move exclusively via trucks. This will mean much loss of business to our company and corresponding loss of revenue to the railroads.

In view of the above, we again urge your honorable body to retain the present exemption of agricultural ground limestone from the last increase on intrastate traffic.

Q. Does the amount of limestone applied per acre vary from year to year.

A. Our experience is that if, say a cattleman applies this year, he will probably wait until the following—that is, a two-year period before making another application. In other words, a two-year span.

Q. In many instances it is constant sales effort to sell these cattlemen on lime?

A. It is.

Comm. Patterson: Any further direct examination? Cross-examination?

Cross-examination.

By Mr. Gwathmey:

Q. What percentage of your output is moving by rail at [fol. 511] the present time?

A. Right at the present time, our percentage has dropped, rail movement, until it is hardly pushing 70 percent.

Q. Is there anything unusual or abnormal about that?

A. There is more local tonnage being used. It is farther out. In other words, where the fellows can stand the haul, as against the present railroad rates.

Q. If I understand, about 70 percent of your output now is going by rail?

A. That is right, at the present time.

Mr. Gwathmey: That's all.

Mr. Harrison: That's all.

Comm. Patterson: You are excused.

(Witness excused.)

W. C. Parmeter was sworn and testified as follows:

Direct examination.

By Mr. Harrison:

Q. Please state your name and address for the record.

A. W. C. Parmeter, Ocala, Florida.

Q. Whom are you speaking for?

A. I am Secretary-Treasurer of Dixie Lime Products Company, also Secretary-Treasurer of Dolomite Products,

Incorporated, and I am appearing for and in behalf of both companies.

Q. What are your shipping points?

[fol. 512] A. We ship from Kendrick, Lebanon and Dolomite, Florida. Redick, also.

Q. Describe briefly the locations of those plants?

A. Redick is a local point on the Coast Line, about 15 miles north of Ocala. Kendrick is local on the same line about five miles north. Lebanon is in Levy County between Dunnellon and Otter Creek, I believe it is. Dolomite is a private siding just north of Sarasota, served by both Atlantic Coast Line and Seaboard.

Q. Have you had the same experience in placing your limestone to the farmers as Mr. DeLoney just stated?

A. Practically, yes, sir.

Q. You are meeting the same local competition?

A. To a large extent. Perhaps not as great as he is.

Q. Have you prepared a statement you'd like to make?

A. I have. We ask that the decision of the Florida Railroad and Public Utilities Commission, exempting agricultural ground limestone from the last increase on intrastate traffic be upheld.

Dixie Lime Products Company ships hi-calcium ground limestone and Dolomite Products, Incorporated ships dolomitic limestone. Both materials are used for agricultural purposes, the difference being only in chemical analysis. Dolomite contains both calcium and magnesium carbonate while the hi-calcium, as the name implies, contains only calcium carbonate.

[fol. 513] It is not claimed that either of the materials is a complete fertilizer, but are recognized by all authorities as vitally necessary in supplying the important secondary plant foods of calcium and magnesium, aside from correcting soil acidity. As further evidence that limestone is properly *calssified* as a fertilizer material, the fertilizer manufacturers were shipped 43 percent of total shipments in 1946, 35 percent in 1947 and 36 percent in 1948, to be used in mixing their complete fertilizers.

Using 1946 as a base period, our tonnage in 1947 decreased 26 percent and in 1948, 38 percent. The reason for the decrease in tonnage during the past three years is, of course, debatable and several reasons could be assigned,

not the least being that early in 1947, the intrastate freight rates on this material were increased. If freight rates are again increased, we are convinced that there will be a very decided decrease in the amount used, with a substantial reduction of both tonnage and revenue for the railroads, as well as ourselves. The percentages mentioned are from our own records and in no way represent total liming material used in the state, as there are a number of other producers in the state and a number shipping into the state.

Lime and limestone, in some form, from our calcareous limestone, Dolomite, Brooksville rock, conquinarock and oyster shell are found well distributed over the state. If [fol. 514] freight rates are raised to the point where it is uneconomical to move this material by rail, the growers will be forced to exploit local material, hauled entirely by truck, thus depriving the railroads of their present tonnage.

Using a six months period, December, 1948, through May, 1949, in comparison to corresponding periods in the two preceding years, shows for the period ending May 31, 1947, that 96 percent of total shipments moved by rail and four percent by truck; for 1948 the total is 89 and one-half percent by rail and ten and one-half percent by truck. The six months ending May 31, 1949, the total is 85 percent by rail and 15 percent by truck.

These figures show a large increase in percentage hauled by truck and indicate a very definite trend. This is all the more noteworthy, due to the fact that lime is used in volume, the average application being between one and two tons per acre, and is primarily a rail movement proposition.

Again we wish to stress the fact that the user of agricultural limestone has reached the point where any addition to his delivered cost will force him to seek lower costs by turning to trucks or be forced to sacrifice the gains he has made by reducing the amount he uses.

Q. Is it your view that the present freight rate associated with the maximum price you could get for your material has about reached the saturation point?

[fol. 515] A. It is.

Q. Have you any further remarks to make on that angle?

A. I don't believe so, Mr. Harrison.

Q. What is your average loading in closed equipment and [illegible] equipment?

A. For the year 1948, the average loading in carloads in bag material shipped in 100 pound bags was approximately 42 tons per car. The shipments in bulk averaged 52 tons per car.

Mr. Harrison: That is all.

Cross-examination.

By Mr. Gwathmey:

Q. I notice you say that if the rates are increased you're convinced there will be a decided increase in the amount of products used.

A. That is a typographical error. There would be a decided decrease.

Q. There may be a decided decrease?

A. Yes, sir.

Q. Would you say the same result would come about when you increase your prices? Would that be the same result?

A. We have not increased our prices since 1946.

Mr. Gwathemy: That's all.

Comm. Patterson: Any further cross examination? You are excused.

(Witness excused.)

Mr. Harrison: Thank you very much.

[fol. 516] Roland A. Smith, was sworn and testified as follows:

Direct examination.

By Mr. Wells:

Q. Will you please state your name, address and occupation?

A. Roland A. Smith, 827 Alfred I. duPont Building, Miami, Florida. I am Assistant to the Manager of the Greater Miami Traffic Association.

Q. What is that?

A. The Greater Miami Traffic Association is a voluntary, nonprofit Florida Corporation, and has for its purpose the handling of traffic and transportation matters for the Greater Miami area. Included in its membership are the city governments of Miami and Miami Beach, the Dade County Commission, and approximately 200 individual business concerns and industrial interests.

Q. State briefly your experience in transportation?

A. I was employed in the Freight Traffic Department of the Seaboard Air Line Railroad Company for approximately five years and with the Tampa Traffic Association approximately one year. I have been with the Greater Miami Traffic Association for two years, approximately. My duties include the handling of rate adjustments and the preparation of rate studies to be submitted in cases before the Interstate Commerce Commission and other regulatory bodies.

[fol. 517] Q. Have you prepared four exhibits to be presented in this case?

A. I have.

Mr. Gwathmey: May we go off the record for identification?

Comm. Patterson: Off the record.

(Off the record.)

Comm. Patterson: On the record.

By Mr. Wells:

Q. Were the four exhibits prepared by you?

A. They were.

Q. Will you briefly explain the exhibit 73, which has been identified?

A. The last major adjustment in the rates on fertilizer and fertilizer materials interstate in the southeast and intrastate in Florida was 1941. The rates since that time reflect no basic changes in rate level reflecting only the results of the various general increase cases.

During this period the rates on these commodities in intrastate traffic in Florida have differed as to level with the interstate rates on the same commodities for similar hauls and reflect different levels within various sections of the

state. Since sometime in 1941, for example, there have been five different scales of rates applicable during the same period on intrastate movements of fertilizer and fertilizer materials in Florida. These varying rate scales reflect [fol. 518] the Florida carriers' separate consideration of the fertilizer adjustment in Florida. During the same period interstate rates in the Southeast and from points in the south to Florida have been based on a single scale.

My first exhibit, identified as Exhibit 73 consists of a title sheet and four pages showing a comparison of the several rate scales for representative distances on Florida intrastate traffic and on interstate traffic in the South. Page one of Exhibit 73 shows the rates effective on June 30, 1946. Column two shows the scale of rates applicable on fertilizer materials. The rates shown therein reflect 75 percent of the Class M rates and apply for single line hauls where lower charges result by use of this scale than would result from the applicable scale shown in Columns 3, 4, 6 or 8. Joint line hauls under the scale in Column 2 are the sum of the local hauls less 10 percent when two lines are used and less 20 percent when three or more lines are used.

Q. Are you speaking of intrastate rates?

A. That is correct. Column three shows the scale applicable on fertilizer and fertilizer materials between points in North Florida, as more specifically described on page 4 of the exhibit, for single or joint line hauls. This scale is the same as the interstate scale and the scale in Column three up to 360 miles in the distance blocks shown on the exhibit. The actual break in the scale is at 390 miles.

[fol. 519] Columns five and six show the scale applicable on fertilizer and fertilizer materials between points on the lower East Coast of Florida, the Lake Okeechobee area and on joint line traffic in conjunction with the Florida East Coast Railway.

Column five shows the scale rates and Column six shows the rates actually applied on shipments moving the distances shown reflecting the 75 cents per ton allowance made to the consignee for unloading, handling and delivery to the fields at destination. The charges shown in Column six are less than the interstate scale through 25 miles, greater than

the interstate scale through 300 miles and less than the interstate scale for distances beyond 300 miles.

Columns seven and eight show the scale of rates applicable on fertilizer and fertilizer materials between points on the Florida East Coast Railway. Column seven contains the scale rates and Column eight shows the rate paid for transportation, reflecting the 75 cents per ton allowance made to the consignee for unloading and handling at destination. Column 9, as referred to previously, shows the interstate scale.

Q. Mr. Smith, just previously, column 8 rates on page one are the same as column 7, after crediting the 75 cent ton allowance for delivery at destination?

A. That's correct.

[fol. 520] Q. Likewise the Column 6 is the same as Column 5 after allowing the 75 cents for delivery in their destination territory?

A. That is correct.

Q. Let's take for example a shipment intrastate from Jacksonville, Florida, where there are fertilizer plants, to Palm Beach, a point located on the Seaboard Air Line and on the Florida East Coast, also. If it moved from Jacksonville to Palm Beach by the Florida East Coast, which rate would apply?

A. The scale,—the charge actually paid in Column 8.

Q. If the movement were by the Seaboard Air Line between the same points, would the scale 6 apply?

A. To West Palm Beach, no. The Seaboard has published a commodity rate to that point to meet Florida East Coast scale.

Q. So that—but to other destinations within the area D territory, the column six rate would apply if it were by the Seaboard or Coast Line, but the column 8 rate would apply if it were by the Florida East Coast to the same destination?

A. That is correct.

Q. Will you proceed with the explanation of page 2?

A. Page 2 of Exhibit 73 shows the rates on fertilizer and fertilizer materials presently applicable on Florida intra-[fol. 521] state traffic and on interstate traffic in the South. The scales shown reflect only the changes resulting from the general increases authorized by the Florida Commission on

Florida intrastate traffic and by the Interstate Commerce Commission on interstate traffic since June 30, 1946. The interstate rates, however, do not include the emergency increases authorized by the Interstate Commerce Commission in Ex Parte 168 as will be noted on the exhibit. It will be further noted that in Column 6 the rates for many distances are presently higher than the interstate rates for the same distances.

Q. Turn to sheet three, unless you have some further explanation on two.

A. Page three of Exhibit 73 shows the rates which would result from the application of the carriers' proposals in these proceedings on intrastate traffic and the present rates on interstate traffic in the Southeast. The scales shown on Florida intrastate traffic reflect increases of 20 percent and 25 percent over the rates shown on sheet one of Exhibit 73. It will be noted from Columns six and eight of the Exhibit that the rates proposed by the carriers will be considerably higher for many distances than the present interstate rates.

Q. Mr. Smith, I call attention to the fact that column seven and eight are on page three of your exhibit 73, refer [fol. 522] to the proposal prior to the amendment as contained in the motion at the beginning of this hearing by counsel for the respondents to eliminate the Florida East Coast single-line scale.

A. That's right.

Q. So that the proposed rate shown on Column 7 and 8, page 3, under those amendments, excluding those, should be the same as on page 2?

A. Under column 7 and 8 on page 2.

Q. Will you proceed with the next sheet of your exhibit 73, or do you have any further explanation of that?

A. That's all. Page 4 of Exhibit 73 shows the explanation of the column heads and reference marks used on pages 1 to 3, inclusive, of the exhibit, showing a brief description of the territorial applications of the rate scales for intrastate application.

Q. Will you next proceed with explanation of Exhibit 74?

A. Application of the carriers' proposals in these proceedings will actually result in greater increases in cents per ton on a portion of Florida's intrastate traffic than have been authorized and made effective on interstate commerce.

Exhibit No. 74, a one page exhibit, shows the rates on fertilizer and fertilizer materials with the amount of increase since June 30, 1946, under carriers' proposal on intrastate traffic and under present interstate scale for representative distances showing the amount the increase in Florida would [fol. 523] exceed the increase on interstate traffic. The exhibit uses for comparison the proposed Florida intrastate scale applicable between points on the lower East Coast, stations in the vicinity of Lake Okeechobee and stations on the Florida East Coast Railway on joint haul traffic; also to this territory from Central Florida, as more specifically described on that exhibit, with the scale of rates presently applicable on interstate traffic in the Southeast.

Column eight shows the amount in cents per ton by which the proposed increase in Florida would exceed the increase in interstate traffic. Column eight shows that the increase in Florida would exceed the increase on interstate traffic by amounts ranging from 17 cents to 60 cents per ton and averaging, for the distance blocks shown on the exhibit, 42.7 cents per ton. The amount of 60 cents per ton would reflect excess charges on carload shipments of from $12 per car of 40,000 pounds, to $30 per car of 100,000 pounds.

Q. In other words, the Florida D scale to which you refer on Exhibit 74 applies to destinations on the Florida East Coast Railway when a joint haul?

A. That is correct.

Q. And it also applies single line on the Atlantic Coast Line or Seaboard when it is to destinations within the prescribed destination territory in Florida?

A. That's right.

[fol. 524] Q. So that in one instance you'd have no increase under the present proposal if the shipment were a single line Florida East Coast. Whereas, you'd have increased rates indicated here if it happened to move over two lines instead of just one?

A. That's right.

Q. Do you have any data as to the consumption of fertilizer in Florida?

A. Yes, sir.

Q. Will you proceed with your Exhibit 75?

A. The State of Florida, in its production of agricultural products, particularly citrus fruits, fruits and vege-

tables, uses a tremendous quantity of fertilizer. Of course, fertilizer has no value other than the increased production occasioned by its use. Therefore, the volume of consumption of fertilizer in a state is important to the rail carriers, not from the standpoint of the potential rail traffic on the fertilizer and fertilizer materials alone, but also for the increased potential rail traffic on the increased volume of agricultural products resulting from the increased use of fertilizer by the producer. This is particularly important in Florida where the principal agricultural products of the state are fruits, vegetables and citrus fruits which move in long-haul traffic at comparatively high rates for the rail carriers.

[fol. 525] Exhibit No. 75, a one page exhibit, contains a statement showing fertilizer consumption in the State of Florida compared with the consumption in other states in the Southeast, for the years 1934, 1940, 1944 and 1946 as shown in the column heads on the exhibit. This exhibit shows for the State of Florida an increasing consumption of fertilizer, the amount used in 1946 being more than double the amount used in 1934. Florida, as compared to the other Southern States shown, in actual volume consumed more fertilizer than any of the states shown except Georgia and North Carolina.

The total consumption of fertilizer within a given state is important in reflecting the total volume of potential rail traffic. The extent to which fertilizer is used in Florida, as compared to the other Southern States, is more clearly shown, however by a comparison of the pounds of fertilizer consumed per acre of cropland.

Q. Does that next exhibit deal with that?

A. That's right. Exhibit 76, a one page exhibit, is a statement showing the amount of fertilizer used per acre of cropland, in Florida, compared with the amount used per acre of cropland in other states in the Southeast for the year 1944.

The exhibit shows the acres of cropland in each state, the tons of fertilizer consumed, the pounds of fertilizer used per acre of cropland, and in Column five the relationship [fol. 526] of use per acre of cropland in Florida versus the other states shown. Column five reflects the relative use per acre by considering the Florida consumption as index

100 and relating the other states to that index number. This exhibit shows that the consumption of fertilizer per acre in other Southern States ranges from a low of 12.7 percent of the Florida consumption for the State of Kentucky to 50.1 percent for the State of North Carolina. That relation indicates that the consumption in Florida per acre of cropland is almost twice as much per acre as the consumption in North Carolina, whose use materially exceeds the use in all other Southern States.

Q. If the intrastate rates on fertilizer and fertilizer materials in Florida were increased as proposed by the rail carriers, in your judgment, would that increase in rates result in any increased revenue to the railroads?

Mr. Gwathmey: I object to the question on the grounds this gentleman is not a shipper of fertilizer and not qualified to testify.

Mr. Wells: I submit he is qualified to testify as a traffic man who has made a study of these matters and the weight of his testimony is something to be considered.

Comm. Patterson: Overrule the objection. It is his opinion, after all.

A. It is not my opinion that there would be increased revenue.

[fol. 527] Mr. Wells: I offer in evidence Exhibits 73 to 76, inclusive.

Comm. Patterson: There being no objection, they will be received for the record.

(Protestant's Exhibits Nos. 73 to 76, inc., Witness Smith, received in evidence.)

By Mr. Wells:

Q. Do you have anything to add?
A. No, sir.

Comm. Patterson: Cross Examination?

Cross examination.

By Mr. Gwathmey

Q. Have the fertilizer rates in Georgia been increased by the amount of the interstate increases?

A. It is my understanding they have.

Q. Have the fertilizer rates in North Carolina also been increased by the amounts of the interstate increases?

A. I can't speak for the North Carolina rates. I have a record of that, but I don't have it with me.

Mr. Gwathmey: That's all.

Comm. Patterson: You are excused.

(Witness excused.)

Comm. Patterson: We will take a short recess at this time.

(Recess had.)

Thomas E. Haile was sworn and testified as follows:

[fol. 528] Direct examination.

By Mr. Wells:

Q. State your name, residence and business?

A. My name is Thomas E. Haile. I am Assistant to the Secretary Manager of the Growers and Shippers League of Florida. My address is 45 West Central Avenue, Orlando, Florida.

Q. State briefly your traffic experience?

A. For the past ten years I have been continuously engaged in traffic work, for two years with the Traffic Department of a Motor Common Carrier, then with the Transportation Corps of the Army and since 1946 with the Growers and Shippers League of Florida.

Q. What is the Growers and Shippers League? What relation does it have to the Florida citrus growers?

A. The Growers and Shippers League of Florida is a voluntary incorporated non-profit organization of growers and shippers of citrus fruit and fresh vegetables in and

from Florida, and is the duly appointed transportation agency of the Florida Citrus Commission.

The Florida Citrus Commission is the lawfully constituted body established by the legislature of the State of Florida, and is charged with the statutory duty of protecting the interests of the Florida Citrus Industry in obtaining and enjoying just reasonable, and otherwise lawful transportation rates, charges, rules, regulations and practices. The membership of the League also represents a large part [fol. 529] of the shipments of fresh vegetables which move from Florida.

Q. Have you prepared an exhibit to present in this proceeding?

A. I have.

Mr. Wells: Off the record.

Comm. Patterson: Off the record.

(Off the record.)

Comm. Patterson: On the record.

By Mr. Wells:

Q. Proceed with the explanation of page one of Exhibit 77.

A. Page 1 of this exhibit shows the acreage of citrus fruit, vegetables, and miscellaneous fruit in Florida for the 1937-38 through the 1947-48 seasons.

It will be noted that the acreage of citrus fruit has shown a consistent increase each year, from 322,500 acres in 1937-38 to 397,300 acres in the 1947-48 season. While the acreage of vegetables and miscellaneous fruits has varied from year to year, there has been a general increase for the period shown, with a resulting increase in the total acreage of all commodities from 536,800 acres in the 1937-38 season to 639,255 acres in the 1947-48 season.

Q. Does the next sheet of your exhibit relate to production and shipment of fresh citrus of Florida?

A. It does.

Q. That apparently is self-explanatory. And will you go [fol. 530] next to sheet three? Is sheet three similar to sheet 2 except it deals with other fruits and fresh vegetables? That is similar to sheet two?

A. It is.

Q. Do you have any data relative to consumption of fertilizer in Florida?

A. Yes, I have.

Q. Are those figures shown on page 4 of the exhibit?

A. They are.

Q. Do you have any additional explanation in regard to sheet 4?

A. No.

Q. Did you cause a survey to be made of the various fertilizer plants to determine the means of transportation used by the plants for incoming materials?

A. Yes, I did.

Q. What was the result of that survey?

A. The results showed that the large part of material comes into the plant by rail.

Q. What of the mixed fertilizer moving out of the Florida plant to Florida consuming points?

A. The survey showed a large part of that movement of mixed fertilizer was by truck from the plants to the groves or field.

Q. And were there some movements from the Florida [fol.531] plants to the groves by rail?

A. There was some by rail, yes.

Q. That was primarily and almost exclusively a source of citrus and fresh vegetables intrastate movements?

A. Yes.

Q. The last sheet of your exhibit is self explanatory as to mileage scale?

A. Yes.

Q. Mr. Haile, if the intrastate rates on fertilizer and fertilizer materials were increased as proposed in this proceeding, in your opinion, would that or would it not result in any increased revenue to the rail line?

A. In my opinion I believe it would result in decrease in revenue because of diversion.

Q. That is based on your experience in citrus and fresh vegetable growing and your survey and knowledge of the situation?

A. And contact with growers and vegetable people in Florida and fertilizer manufacturers.

Mr. Wells: I offer Exhibit 77 in evidence.

Comm. Patterson: There being no objection, it will be received for the record.

(Protestant's Exhibit No. 77, Witness Haile, received in evidence.)

Mr. Wells: That is all on direct.

Comm. Patterson: Corss?

[fol. 532] Cross-examination.

By Mr. Gwathmey:

Q. Mr. Haile, how long have you been connected with the Growers and Shippers League?

A. About two and a half years, sir.

Mr. Gwathmey: Thank you.

Comm. Patterson: You are excused.

(Witness excused.)

Frank E. Harrison, Jr., was sworn and testified as follows:

Direct Statement.

Mr. Harrison: My name is Frank E. Harrison, Jr., Tallahassee, Florida. I am appearing in behalf of the Dixie Lime Products Company, Dolomite Products, Inc., of Ocala, and State Road Department of Florida. I am a registered practitioner before the Interstate Commerce Commission and State Commission and I have been representing the public over a period of 25 or more years. I was connected with Southern railroads for 12 years in various capacities.

I would like to discuss briefly the rates on ground agricultural limestone first. And I will give a little back history of those rates. Mr. Parmeter and Mr. DeLoney described the operations of local producers of ground limestone in Florida.

The rates on these commodities in the South on interstate traffic, as well as to points in Florida, has been in a

[fol. 533] state of flux for a number of years. Only recently have these interstate rates been partially stabilized.

One of the early cases was Docket 22771, reported in 172, Icc 783, which is known as the Falling Springs, Virginia case. The scale was published in 1933 Speidners, ICC 1676 and shortly thereafter the Southern lines applied the single line scale prescribed in that case for both single and joint line application when loaded in box cars.

This case involved rates from those Virginia points to destinations in Southern Territory except the Florida Peninsular. On ground limestone and open-top equipment some of the Southern Carriers applied road aggregate scale prescribed by Commission Docket 17517, reported 122 ICC 166, when in open-top equipment. These rates were published in a tariff effective December 31, 1932, these later rates.

About 1939 or '40, subsequent to the increased rate under Ex Parte 123, the so-called T-295 scale was substituted for the Docket 1751 scale for application on road aggregates in Southern Territory and that scale was made applicable on ground limestone in both open-top and closed equipment.

So much for the adjustment between points in Southern Territory. The rates on intrastate shipments in Florida, prior to September 13, 1939, as I recall it, were old Florida class P rates per car of 30,000 pounds, excess in proportion. On that date, the Docket 1751 scale prescribed by the Com- [fol. 534] mission on road aggregates increased 10 percent under Ex Parte 123 was made applicable on ground limestone on either open or closed equipment for application in Florida.

These scales were first published in supplement 1-A to Agent Millers tariff 427-3, ICC 464. There was a small arbitrary over single line for hauls over two or more railroads over two hundred miles. 160 miles—At that distance both scales are the same. These same scales are in effect today, subjected to the full increase under Ex Parte 162. But no increase has been imposed under Ex Parte 166.

The rates on dolomite, which is the same thing as ground limestone, were transferred from the prior tariffs to the fertilizer tarrif- in supplement 40 to 5 to Agent *Hoke's* tariff, ICC 975, effective December 31, 1946.

I have prepared some exhibits which I now wish to identify which will visualize that adjustment.

The first exhibit is a statement of basic scales.

Comm. Patterson: No. 78.

(Protestant's Exhibit No. 78, Witness Harrison, marked for identification.)

Mr. Harrison: That exhibit consists of two pages. I wish you would strike in the fourth paragraph all the words beyond Jacksonville, Florida, on that exhibit.

The next exhibit is No. 79.

(Protestant's Exhibit No. 79, Witness Harrison, marked for identification.)

[fol. 535] Mr. Harrison: Exhibit 79 compares the Southern scale with the Florida intrastate scales. It consists of one page. The next exhibit——

Comm. Patterson: Off the record.

(Off the record.)

Comm. Patterson: On the record.

Mr. Harrison: My Exhibit 78 is self-explanatory. I wish to point out however, that the Southern producers can ship throughout the South, including all points in Florida, and north of a line from Jacksonville to Pensacola under scale—could ship under scale shown in column 1-r, subject to authorized increases. That is the interstate Southern scale.

The producers in Florida on or north of the line described above the Jacksonville River Junction line would apply column 1-1. There is no production in North Florida, therefore that means little. These producers are located in Southern Florida and apply the rates under Column 5-L. That indicates that the base rates, as of June 30, 1946, in Florida were approximately 10 percent higher than the rates within the South and the short haul rates from 10 to 50 miles,—10 up to 60 miles were never treated under T-295 scale.

Exhibit 79 compares the Southern Scale increased under Ex Parte 162 and 166 with the present Florida intrastate scales and I direct your attention to the rates under South

[fol. 536] Florida. You will observe that under the present rates in South Florida on open equipment our rates are higher at 200 miles than the Southern scale,—200 miles and beyond. In closed equipment, our rates become higher at two hundred and thirty.

Now, if we should be required to increase the Florida scales, the full 25 percent under Ex parte 166, the rates in Florida for all distances would be substantially higher than the rates in Southern Territory, generally. Those rates on Exhibit 79 apply on closed equipment,—I mean I am discussing closed equipment.

Exhibit 80 shows the base rates of the rates increased in Ex Parte 162 and what they would be under Ex Parte 166 interstate. Here we are contrasting the South Florida scale with the Southern scale and with still another scale that applies from Southern producing points to destination of the Florida Peninsular. To this scale to points in the Florida peninsular in Column 6 must be added Column 3 and 6, and 9 must be added, the arbitraries shown on page 2 of this exhibit for the distances south of the line of the Seaboard from Chattahoochee to Jacksonville.

There again the rates in South Florida are not too much lower than the scale into the Florida Peninsular up to 175 miles. Beyond that distance, the rates in Florida are higher than the scale applied to points in the peninsular [fol. 537] from interstate shipping points to points of destination in the Florida peninsular without adding the Florida arbitrary.

Exhibit 81 shows the earnings on ground limestone using 42 tons average loading in closed equipment from Lebanon, Florida, Whitestone, Georgia, and Nasgot, Tennessee. The latter two are representative interstate shipping points.

You will observe that the earnings on the Florida traffic is substantially higher and in some instances twice as much as the per car earning on the interstate traffic.

Exhibit 82 shows the car mile and ton mile earning on ground limestone on the Florida intrastate rate today without increases, using 42 tons as an average load in closed and 52 tons in open-top equipment for selected distances. Here again for distance of 100 miles, we have earnings of 65 cents a car mile and 12 and a half mills; at 200 miles the earnings are 43.3 cents per car mile.

I think the last exhibit shows the rates in Florida are by no means less than reasonable rates.

That completes my testimony on ground limestone.

I would like to say a few words on asphalt with particular reference to truck competition. Prior to Ex Parte 162 and particularly 166, seventy-five percent of the movement of asphalt used in the construction and maintenance of roads in Florida was handled by rail. We estimate our average consumption is around 20 million gallons per annum. [fol. 538] After 162 and particularly after 166, the suppliers of asphalt enlarged their storage facilities at Pensasola, Panama City, Jacksonville, Tampa, and opened up new facilities at Port Everglades. And tank transportation came into vogue in a very large way, to the extent that now 75 percent of our tonnage is drawn from these port facilities and I don't think 25 percent of it is moving by rail.

If we accept Mr. Hinnant's figures as an average, he shows only one percent, but I am confident it must be more than that moving by rail. The contractors have purchased tank transports to haul their own asphalt in.

I'd like to offer my exhibit No. 83 showing a list of transport tank trucks owned and operated by contractors for their own account in connection with the construction of roads in Florida. Transport tank trucks are economical when they are of 4,000 gallons or more when handling asphalt from the ports and it goes direct to the job without any rehandling. Tanks with less capacity generally are used for distribution from local storage to the highway.

By Mr. Pettijohn:

Q. Aren't the asphalt tanks also heated enroute from the asphalt storage to the place of use? From the asphalt storage places at the port, direct to the highways? Haven't they got a heater on the asphalt tanks so that it will flow? [fol. 539] A. The truck operators carry their own heater tanks and they can heat it right there on the highway.

I think there is one source of revenue available to the railroads and will give them far greater returns in my opinion and which I—it is my view, which has not be- exploited to the fullest. I refer particularly to the passenger

deficit. The shipping public should not be called upon to pay the deficit in high rates, because of the failure of the railroads to take the opportunity to reduce it. Taking off unprofitable branch line trains is not the only answer. Some re-arrangement of schedules could increase passenger train service substantially without increasing the number of trains,—rearranging schedules to met the needs of the traveling public, converting some of these semi-local trains with decent equipment, possible connection at the terminals with competing railroads and lower dining car costs. Any losses in the latter should be charged to advertising appropriation.

When we realize that one-third of that net operating income derived from freight traffic during 1948 was necessary to offset the passenger deficit,—and Mr. Seigler in his schedule 32, Exhibit 1, shows that the passenger deficit took up one-half of the net operating income derived from freight services in 1948, Atlantic Coast Line and Seaboard Air Line combined,—it seems to me it calls for drastic [fol. 540] action.

That completes my direct testimony.

Comm. Patterson: If these is no cross examination, you are excused.

Mr. Gwathmey: I would like to ask one question.

Cross-examination.

By Mr. Gwathmey:

Q. Is asphalt one of the accepted commodities mentioned in the Florida Commission's order?

A. No, sir, it was not. It was to the extent of 20 percent, instead of 25 percent. Its class rates were increased 20 percent. Therefore asphalt was increased 20 percent, instead of the 25 percent authorized in Ex Parte 166.

Mr. Gwathmey: That's all.

Mr. Harrison: Any increase in asphalt won't increase revenues.

Comm. Patterson: You are excused.

(Witness excused.)

Mr. Harrison: I would like to offer my exhibits Nos. 78 to 83, inclusive in evidence.

Comm. Patterson: There being no objection, they are received for the record.

(Exhibits 78 to 83, inc., Witness Harrison, received in evidence.)

G. R. Gordon was sworn and testified as follows:

[fol. 541] Direct examination.

By Mr. Hillyer:

Q. Will you state your name, address and occupation?

A. My name is Gail R. Gordon, General Traffic Manager, Container Corp. of America, 38 South Dearborn Street, Chicago, Illinois.

Q. How many years of experience have you had in freight traffic work?

A. About 30 years.

Q. Does your company have a plant in Florida?

A. We do have at Fernandina, Florida.

Q. What type of plant, Mr. Gordon, is that?

A. Wood pulp and pulpwood mill.

Q. What railroad serves your plant?

A. It is served locally by the Seaboard Air Line.

Q. What is the principal inbound commodity which you use at Fernandina, Florida?

A. The principal raw material is pulpwood.

Q. Are you familiar with the rates applying on pulpwood for your mill?

A. Yes, I am.

Q. Have they been a matter of study by you and your department for some time?

A. Yes, very much so.

Q. Why is that?

[fol. 542] A. Because the raw material cost is one of our principal costs in the manufacture of pulpwood.

Q. In what units are the charges on your pulpwood assessed?

A. In our plant at Fernandina, we use so-called 168 cubic foot units and that is the basis on which our freight rates are assessed.

Q. Are all of your shipments based on 168 cubic feet?

A. That is correct.

Q. How do the railroads convert that unit into pounds.

A. The railroads use a weight of 6800 pounds to arrive at the weight.

Q. How are the freight charges assessed?

A. Freight charges are assessed on the unit.

Q. Do you have any agreement with the railroad as to how the units shall be determined?

A. Yes, we have a weight agreement on scaling agreement. They take our scaling of the wood and then assess us on the basis of what our scale outturn is.

Q. Where are those measurements of wood taken, in Fernandina?

A. Yes.

Q. Are any other units than 168 being used?

A. Some other mills use a standard cord of 128 cubic feet and still others use 160 cubic feet.

Q. You have three different methods of assessing freight charges?

[fol. 543] A. That is correct.

Q. When the railroads are making up their statistics of tonnage of pulpwood, do they have any estimated weight stated in the tariffs per unit?

A. Yes; the Seaboard Air Line Wood Tariff, 2F ICC no. A-8125, effective September 30, 1946, page 7, item 40 provides that the estimated weights on pulpwood when the actual weight is not determined when the car is placed at destination are as follows: Per cord of 128 cubic feet, 5,000 pounds. Per unit of 160 cubic feet, 6,250 pounds. Per unit of 168 cubic feet, 6,563 pounds.

Q. Has there been any regular scale weighing of pulpwood cars at Fernandina on your shipments?

A. Not as far as I know. I do understand the practice on occasion is to weigh some of the cars. I don't know how recently that has been done.

Q. Does the system you are using save carriers the expense of weighing the cars?

A. Yes.

Q. Has there been any change in the average load of pulpwood to your plant since the early part of the year 1946?

A. Yes, in the period January through March 1946 our

average units per car were 11.69 which was the equivalent of 83,018 pounds per year, excuse me. Per car. Whereas the period January through March, 1949, the current year, [fol. 544] the average units had increased to 12.69 with the equivalent average load of 85,596 pounds.

Q. Has there been any substantial change in the length of haul during that period?

A. No, the length of haul during this three months' period in '46 was 125.85 miles and 121.84 miles for the period January through March, 1949.

Q. Were these estimates of average hauls based on weighted average of your shipments?

A. Yes, they were weighted averages.

Q. Has there been any change in the average revenue per car of pulpwood to your plant?

A. Yes, for the period January through March, 1946, the average revenue per car was $32.30 and the average revenue per car mile was 25.66 cents. For the period January through March 1949, the average revenue per car was substantially increased to $46.51 and the average car mile revenue was substantially increased to 38.17 cents.

Mr. Gwathmey: May I ask does that include all shipments, interstate as well as intrastate?

A. Yes, it does.

By Mr. Hillyer:

Q. Into your plant?

A. Yes.

Q. How many cars were used to determine those weighted averages?

[fol. 545] A. These averages for the '46 period were based on 1708 cars for the 1946 period and for the '49 period 1622 cars.

Q. To what do you attribute the increase in revenue per car and per car mile?

A. To two factors. The increase in the average loading and the increases in the rates themselves.

Q. Will you state whether in your opinion any further increases in the rates on pulpwood to your plant, intrastate in Florida, will produce additional aggregate revenue?

A. In my opinion the rates on pulpwood have been in-

creased to such extent that any further increase would undoubtedly cause a diversion of the traffic to other forms of transportation and particularly to the trucks so that the railroads would receive less aggregate revenue than they are now receiving at the present rates and average carloading of our pulpwood. I think it would be a mistake upon the part of the railroad management to add any additional increases on pulpwood to those which have already been imposed in Florida.

Q. Will you give some idea of the volume of movement of pulpwood to your plant? Will you express that in cars per day, per month and per annum?

A. For the first five months of 1949 our inbound shipments average 19.8 cars per day based upon 7 days a week. At this rate the volume of movements has been and is now running in round figures about 600 cars per month and [fol. 546] roughly about 7,000 cars per year.

Q. Is there much departure from this average of 19.8 cars per day?

A. No, the average continues day by day and week to week, month to month, throughout the year. There is very little seasonal variation there.

Q. Is this matter of regularity of movement of any importance to your mind in connection with the rates?

A. Yes, I think it would be quite an important bearing for it should be obvious that the regularity of the movement which is placed at our plant in one train load or one cut averaging 19.8 cars per day throughout the year should result in relatively low unit costs of operation, I should think.

Q. Has there been *in* increase or reduction in average cars per day, per week or per month since 1946?

A. Yes, there has been a substantial drop in the average cars. For example, in 1946 the average was 712 cars per month as compared with the average of 477 cars per month in this portion up to date in 1949.

Q. To what do you attribute this reduction in the average cars per month?

A. Two, primarily. There are two primary factors which have caused this decline. First, is the matter of the increases in rates. The increases in rates since the first part of 1946 have aggregated about 32 percent. During

[fol. 547] the same period the truck movements have increased about twelve percent in 1946 to 33 percent for the first quarter of 1949. These percentages relate to the number of units and not to the number of cars or number of trucks. In other words, I have used the unit which is common to truck movement and the rail car movement in order to give the correct comparison.

Another factor is that in 1946 about 44 percent of our cars are required a two line haul whereas, the increases in rates have caused us to exercise the greatest care in an attempt to eliminate as many two-line movements as possible. There has been a substantial drop in the proportion of cars which have moved over two lines as compared with a single line haul. Where the wood was coming from a point located on a line other than the Seaboard Air Line Railroad and would require a two line haul we, of course, have made every effort to draw that wood in by truck instead of over a two line haul because of the high combination rates for the two line haul.

Q. Was that due to the method of computing combination rates in Florida?

A. Yes.

Q. What effect would any further increases in single line rates and combination rates for joint line hauls have, in your opinion, upon your average inbound cars of pulpwood per month?

A. I confidently expect that any increases in the line haul [fol. 548] rates for single line hauls and particularly for joint line hauls under the present method of constructing combinations, would result in a substantial diversion of our traffic from rails to trucks.

Q. Did you tell us what form of equipment is used for your rail shipments of pulpwood to Fernandina?

A. In the year 1946 about 35 percent of the total cars furnished for pulpwood were rack cars. For the first four months of 1949 this had increased to 62 percent rack cars. All of the Seaboard Air Line Railway's single line movements in the first four months of 1949 were in rack cars.

Q. In your opinion should that factor have any weight in considering rates?

A. Yes, the fact that rack cars are furnished and used to a growing extent enables a quick turn around, quick unloading of cars, and greater utilization of this type of equip-

ment. This should have some effect upon the reduction of the unit cost in my opinion.

By Comm. Patterson:

Q. Under those circumstances, it always involved a line haul one way?

A. Yes.

Q. It does?

A. Yes, but that doesn't make any difference whether it is rack or box cars, because the type of box car they furnish could hardly be used for any other grade A commodity.

[fol. 549] Is this grade A?

A. No.

Q. You said grade A.

A. I mean it could not be used for shipments that require grade A cars.

By Mr. Hillyer:

Q. Is the turn around time of these cars the same now as it was formerly?

A. No, I am satisfied that the turn around time of rack cars now is much quicker than formerly when only a small percentage of racks were furnished.

Q. In considering the measure of rates, should the element of value be considered, in your opinion?

A. Yes, I think so.

Q. Will you give some idea of the relative value per ton of pulpwood at the point of shipment in the past and up to today?

A. On July 1, 1948, the price per ton, f.o.b. origin was $4.59 per ton and on January 1, 1949 was $4.53. A substantial drop has occurred since that date to $4.13 per ton on May 1, 1949. This more recent decline in prices conforms somewhat to the national economic situation. It is quite apparent that we are beyond the peak conditions in the post war period. Attention is directed to the fact that the average freight per ton on May 1, 1949, of $1.10 per ton was more than double the freight rate of 51 cents per ton on [fol. 550] January 1, 1938.

Q. You mentioned the relative volume moving by truck now as compared with former times. Will you state whether

or not your particular traffic is readily susceptible to movement by truck?

A. Pulpwood is particularly susceptible. The reasons are partly physical and partly competitive. There is a trucking movement into each plant from an area of about 45 miles surrounding that. The smaller trucks come directly out of the woods and go directly to the plants without any rehandling at the rail siding near the point of origin. At the destination the wood is picked up directly by slings with one movement of a crane for the entire truck load, and goes directly to a conveyor or to a storage pile with the one mechanical movement and without any physical labor handling whatsoever. The time required to pick up a sling load which is an entire small truckload, would be merely a matter of moments.

The more distant mill, using rails to get into that same tract of wood must take the competition of the nearest mill into consideration and the rail costs from that same tract ofr the longer haul, compared with the trucking cost and less expense of hauling truck movements into the nearby mill.

Any further increase in the rail freight rates and particularly in the combination rates, will increase our transportation costs on pulpwood in competition with other mills [fol. 551] who use trucks from a given area; and would result in the use of trucks from a much larger area than we use the trucks today.

With these factors in mind experiments are being made with larger trucks for a larger pay load in order to enable us to meet this competitive situation wholly within Florida. The expectancy in the future is that if the rail rates are further increased these larger trucks will be used for larger trucking areas and all of the mills will be compelled because of this competitive factor and the other advantages of truck movement to shift from rails to trucks.

Q. Who owns the trucks which are used for this pulpwood movement?

A. The trucks nearly all are owned by the farmers who own the wood or the dealers who bring the wood into our plant. There is no common carriage of pulpwood in truckloads in Florida to my knowledge.

Q. How does the time in transit for the truckload com-

pare with the rail shipments from a given point of origin?

A. The time required is very short compared with the time required for the rail movement from the same point of origin to the same mill.

Q. Based upon your present experience with trucks, about how long does it take for the average trip by truck from your trucking radius and from the point where the [fol. 552] wood is made available to your plant at Fernandina?

A. The time required for this truck movement on the average is about four and one-half hours. This is an important factor in considering the use of trucks as compared with rails. The rails take a number of days whereas the trucks take a number of hours for the journey to Fernandina.

Q. Do you have any wood coming in from other states to Fernandina?

A. Yes, sir, during 1948, two percent of the wood consumed at our plant came from interstate origin.

Q. What were the factors which accounted for this interstate movement of pulpwood to your plant?

A. Our principal competition is with the mills in Florida for Florida wood. We do not feel the competition of outside mills to any extent. Nor are we complaining of any adjustment of interstate rates into Georgia compared with the rates within Georgia. There are two reasons for this: First, there are the excessive freight rates from the non-trucking areas, and second, there is a lower delivered cost of the wood which moves in by trucks, and the faster time of the trucks and the avoidance of rehandling by trucks.

Q. Have you had any shipments from Georgia, for example, to Fernandina?

A. Yes, there is one situation particularly I have in mind, where from a point called St. George, Georgia, on the [fol. 553] GS&F we drew in some wood at a price plus freight, but the rail freights were so high interstate that trucking was resorted to. They found that they liked the trucking better than the use of rails, in addition to the saving in transportation expenses and they are buying semi-trailers so as to reduce the cost to get into Fernandina by truck. Hence, we can expect no further movement interstate from St. George, Georgia, to Fernandina by rail. This

is not an isolated instance. The man I was referring to has set the example which others can be expected to follow.

Q. What has been your experience in connection with the ratio of truck movements to rail movements on Florida intrastate pulpwood to Fernandina?

A. My experience shows that on January 1, 1946, there were no truck receipts to our plant. On July 1, 1946, the period when the general increases in rates really began, the truck movement increased to 4.4 percent. On January 1, 1947, the truck movement increased to 11.7 percent. On June 1, 1947, the truck movement was 12.9 percent. On January 1, 1948, it was 11.2 percent. On July 1, 1948, it was 21.6 percent and on January 1, 1949, it was 22.5 percent and May 1, 1949, it was 32.1 percent. And I would like to make a remark there in connection with this 32 percent. In 1946 we had a production of only 180 tons per day. Today our capacity is 300 tons, so that is 32 percent of a much [fol. 554] larger amount of wood today as compared with '46.

Q. What is the cause of this increase in your opinion and the ratio of truck to rail movements?

A. The principal cause is the increase in the rail freight rates. The other is the adaptability of trucks to this movement and the faster service and quicker turn around. Another factor is that since the war and 1946 the supply of trucks has become more plentiful and it is much easier to ship by truck regularly now than it was in the first part of 1946.

Q. Can you give some instances of the differences between the transportation charge for wood by rail and wood by truck to Fernandina?

A. Our company has had lower transportation rates by truck than by rail from the same point of origin. For example, from Callahan, Florida, to our plant the charge of rail transportation was $16 per unit of 168 cubic feet, and the charge per unit by truck was $15.25, or 75 cents per unit less by truck. From Kingsland, Georgia, the average cost per unit by rail was $16.30 and by truck $15.25, or $1.05 less per unit by truck. This means quite a substantial sum of money when the rail carload unit is taken into consideration.

From St. George, Georgia, the rail unit transportation

expense was $17.65 and by truck $16, with a saving of $1.65 by truck. This accounts for the fact that the movement from St. George, Georgia, to Fernandina is by truck and not [fol. 555] by rail. From Hilliard, Florida, the transportation expense by rail is $17.17 and by truck $15.75 per unit or $1.42 per unit less by truck than by rail.

It costs the farmer less to load on trucks than if he has to haul it to the rail head and then load it on to a car, and it costs the mill less to unload from the trucks than from the rail cars, either box cars or rack cars.

Q. Have you prepared some exhibits showing the comparison of rates on pulpwood in Florida with rates for like traffic in other states?

A. Yes, I have four. They have been identified as 85,—84, 85, 86 and 87.

Q. Will you explain these briefly?

A. My exhibit No. 84 consisting of two pages shows interstate carload rates on pulpwood published in Seaboard Air Line Railroad Company Wood Tariff No. 2-F, ICC No. A-8125. This exhibit shows present rates on pulpwood applying on interstate traffic between the states of Florida, Georgia, South Carolina and Georgia. The rates are the so-called Roanoke Rapids scale of rates. The road offered only 128 foot cord, or standard cord. However, some mills started using 5 foot and 5 foot-three lengths of wood and the rates on 160 cubic foot unit were made 25 percent higher than the 128 cubic foot cord basis and the rate on 168 cubic foot unit was made 31 foot, 25 percent higher than the 128 [fol. 556] cubic foot cord.

Now, my exhibit No. 85 is a statement showing Florida intrastate rates on pulpwood as published in the Atlantic Coast Line Railroad tariff, ICC No. B-3170, which are applicable when making combination rates from ACL Stations to Fernandina on Seaboard Air Line Railroad. The one-tenth of the class P rate for the Atlantic Coast Line factor of that haul is reduced ten percent as provided for in the Florida classification.

My number 86 consisting of two pages, is a statement showing the intrastate carload rates applying in the various states in Southern Territory. On page 2 of this exhibit, the right hand side, I have shown increases added on all these rates in all the states since 1938 under the various

Ex Parte cases. Column 2 and 3 under that second page shows that the rates in Florida have been increased as follows: Ex Parte 123, ten percent; Ex Parte 162, nine percent; Ex Parte 166, 20 percent, or a total of 44 percent, since 1948.

Column 4 shows rates of Georgia and page 2 shows as follows: Ex Parte 123, nothing, Ex Parte 162, 20 percent; Ex Parte 166, twenty percent, or a total of 40 percent.

Column five and six show rates in South Carolina and page 2 shows general increases as follows: 10 percent under Ex Parte 123, nine percent under Ex Parte 162 and none under Ex parte 166 or a total of 20 percent.

Column cover North Carolina.

[fol. 557] Exam. Mattingly: It isn't necessary to read all of that. It is shown very plainly on there.

A. All right.

By Mr. Hillyer:

Q. How do Florida rates stand in this present condition as compared with other states?

A. I would say very unfavorably.

Q. On the high side or on the low side?

A. High side because our mill in Fernandina is in competition with mills in North Carolina and South Carolina and all over the South.

I want to particularly deal with this two-line wood. My exhibit No. 87 shows the intrastate rates on pulpwood in Texas, to Houston, Texas, as published in the Texas Lines Tariff 60-F, ICC No. 688-A.

I call your attention to the fact that they provide both single and joint line rates into Houston. And it is rather significant that these rates were investigated in a 13 Section complaint and the commission found these rates reasonable but found them discriminatory against interstate shipments. As a matter of fact, I have shown this under Columns 4 and 5. I have added the 20 percent 166 increase which the ICC decided was proper. However, it has not been added today because the people have filed a petition with the ICC seeking a rehearing on pulpwood. So the Texas Commission did not order pulpwood rates until such time as the [fol. 558] ICC acts on their petition for reopening.